

TAX ABATEMENT AND INCENTIVES AGREEMENT BETWEEN
THE CITY OF CROCKETT, TEXAS, HOUSTON COUNTY, TEXAS AND
A & A TEXAS CAPITAL, L.P.

This Economic Development Agreement ("Agreement") is made and entered into between the City of Crockett, Texas ("City"), Houston County, Texas ("County") and A & A Texas Capital, L.P. ("Developer/Owner").

RECITALS

WHEREAS, City is authorized by Sec. 380.001 of the Texas Local Government Code to finance one or more economic development projects and by Sec. 312.204 of the Texas Tax Code to enter into tax abatement agreements; and

WHEREAS, County is authorized by Sec. 380.004 of the Texas Local Government Code to finance one or more economic development projects and to enter into tax abatement agreements; and

WHEREAS, Developer/Owner desires to establish a project ("Project") in the City of Crockett to manufacture materials which enhance the durability of wood products, and to create full-time primary jobs in the City of Crockett; and

WHEREAS, Developer/Owner has applied to City and County for economic development incentives to help defray a portion of the total costs of its creation of a facility to manufacture materials which enhance the durability of wood products; and

WHEREAS, City and County, in reliance upon Developer's/Owner's representations, desire to provide economic development incentives to induce Developer/Owner to proceed with the implementation of the Project;

NOW, THEREFORE, pursuant to Sections 380.001 and 380.004, of the Texas Local Government Code and 312.204 of the Texas Tax Code, as amended, City and County hereby establish a program to implement its incentives herein.

FOR AND IN CONSIDERATION of the mutual promises, covenants, and agreements herein, the parties agree as follows:

I. Inducement by City and County. Developer/Owner anticipates a total capital investment in the Project of at least Three Million Six Hundred Thirty Thousand Dollars (\$3,630,000.00). Conditioned upon Developer's/Owner's representations as being true and correct and a minimum capital investment of Three Million Six

Hundred Thirty Thousand Dollars (\$3,630,000.00), City and County will provide the following economic development incentives.

As a condition to be entitled to the incentives, Developer/Owner must obtain conveyance of a 10.92 acres plus one acre (total 11.92) tract of land (the "Real Property") by warranty deed to Developer/Owner containing "Fee Simple Determinable Conditions". The Real Property, subject to the terms and conditions of this Agreement, is in the City of Crockett Industrial Park, and described in Exhibit "A" attached hereto and incorporated by reference.

The Fee Simple Determinable Conditions in the warranty deed will state that Developer/Owner shall 1) Commence construction of improvements on the Real Property within 12 months following the effective date of this Agreement; 2) Demonstrate through an audited fixed asset ledger a total capital investment in the Project of at least Three Million Six Hundred Thirty Thousand Dollars (\$3,630,000.00) in capital improvements within 36 months; ~~and 3) Use the Real Property exclusively for a functioning facility to manufacture materials which enhance the durability of wood products, for a period of at least ten (10) consecutive years.~~ If the Fee Simple Determinable Conditions are not satisfied, provided that no acts of force majeure prevent or delay the Project, the Real Property will automatically revert to and be owned by Crockett Economic and Industrial Development Corporation (CEIDC) without the necessity of any further act on the part of Crockett Economic and Industrial Development Corporation (CEIDC).

This contract between the City of Crockett, Houston County, Texas and A & A Texas Capital, L.P. sets out an agreement for tax abatement. The terms of the agreement and the property subject to the agreement meet applicable guidelines and criteria adopted by the City Council and Commissioners Court.

ABATEMENT INFORMATION:

Minimum amount of investment by the Developer/Owner:

Developer/Owner agrees to invest a minimum of \$3,630,000.00 over the time frame outlined in this agreement.

Base Year value:

*Current value of real property and existing improvements, prior to construction is: 10.92 acre parcel, \$129,710 and 1 acre parcel, \$55,580.

**Estimated investment value that will qualify for abatement is: \$3,630,000.00.

*See attached confirmation of appraised value from the Houston County Appraisal District.

**Must exceed minimum requirements of \$250,000.00 appraised ad valorem value, as established in the Guideline Statement on Tax Phase-in for Selected Commercial Enterprises.

ABATEMENT PERIOD:

This abatement agreement will be effective on the 24th day of October, 2023.

This abatement agreement will terminate on the 24th day of October, 2033. The term of the abatement covers ten (10) tax periods.

Estimated value to be abated each year:

Year	%	Net City Taxes Abated	Net County Taxes Abated
1	100	\$15,534	\$10,823
2	100	\$20,950	\$14,597
3	100	\$25,354	\$17,665
4	100	\$25,679	\$17,892
5	100	\$26,014	\$18,125
6	100	\$26,359	\$18,366
7	80	\$21,371	\$14,891
8	60	\$16,248	\$11,321
9	40	\$10,983	\$ 7,652
10	20	\$ 5,569	\$ 3,880

The valuation on which the percent of tax abatement is to be calculated each year shall be the full amount of the valuation of eligible property as determined by the Houston County Tax Appraisal District.

INCENTIVES:

City agrees to pay the sum of Twenty One Thousand Six Hundred Dollars (\$21,600.00) to Developer/Owner no later than thirty (30) days after this agreement is executed by all parties to the agreement.

JOBS:

A. To be eligible for the incentives specified in this agreement, Developer/Owner must employ new primary jobs in Crockett, Texas, no later than 36 months from effective date, such new primary jobs to be employed continuously from the date of hire for at least five (5) years, and the total annual salary for new primary jobs shall be no less than Seven Hundred Sixty Two Thousand Nine Hundred Thirty Four Dollars (\$762, 934.00)

"Primary job" is defined by Section 501.002 of the Texas Local Government Code as a job that is "...available at a company for which a majority of the products or services of that company are ultimately exported to regional, statewide, national or international markets infusing new dollars into the local economy..." and meets one of certain enumerated sector numbers of the North American Industry Classification System. For the purpose of this agreement, a primary job shall be represented by a forty (40) hour work week, fifty (50) weeks per year. Any job of less than forty (40) hours per week, fifty (50) weeks per year, shall be considered part time and not a primary job. For purposes of this agreement, the minimum average salary for the primary jobs must be at least Twenty Five Thousand Dollars (\$25,000.00) per year, and the minimum average hourly wage for the primary jobs must be at least Twelve Dollars and Two Cents (\$12.02) per hour.

B. Developer/Owner agrees to furnish City and County with quarterly reports, certifying employment figures at the facility. The reports will consist of such filings of employee earnings as are required to be filed with the State Comptroller's Office and/or the IRS, or as determined by City and County. All reports are due to City and County no later than thirty (30) days from the date filed with the state or federal agency or requested by City and County.

Full Time Equivalent Jobs	Number	Annual Payroll
New	29, or	\$762,934.00

Job creation shall be completed by October 24, 2026 and retained through October 24, 2033.

FACILITY USAGE:

The facility shall be used as a factory manufacturing materials which enhance the durability of wood products.

PROJECTED DATES:

Time schedule for undertaking and completing the planned improvement: Construction will begin the 4th quarter of 2023 and be

completed by the third quarter of 2026

IMPROVEMENTS LIST & NATURE OF CONSTRUCTION:

The business intends to construct a 20,000 square foot factory and a 6,500 square foot office building.

This facility will include

1. Warehouse
2. Glass kiln and fiberizer
3. Liquid tank farm
4. Offices

SPECIAL CONDITIONS:

The Developer/Owner must provide access to and authorize inspection of the property by City and County officials and employees to ensure that the improvements are made according to the specifications and conditions of the agreement and specifically limit the use of the property consistent with the general purpose of encouraging development of the Enterprise Zone during the period the property tax exemptions are in effect. Developer/Owner is required to annually certify to the City Council and Commissioners Court that it is in compliance with each applicable term of the agreement.

DOCUMENTATION:

Developer/Owner does hereby agree to comply with the program requirements including but not limited to providing state tax filings on employment for the same period. This will be used to verify job creation numbers.

This will be required each quarter during the abatement period.

DEED RESTRICTION AND ENVIRONMENTAL COMPLIANCE:

The project shall comply with deed restrictions as set forth by any applicable entity and/or the City of Crockett. The project shall be approved by the appropriate local agency and operate in complete and total compliance with applicable local, state, and federal regulations and environmental guidelines.

RECAPTURE:

1. In the event the project is completed and Developer/Owner begins producing the product, but subsequently discontinues producing the product for any reason except fire, explosion or other casualty or accident or natural disaster, for a period of more than one (1) year during the contract period, then the agreement shall terminate and so shall the eligible programs. The taxes for that entire calendar year including the abated and unabated portion shall be paid to each affected entity within the County within sixty (60) days from the date of termination.
2. Should the City or County determine that the Developer/Owner is in default according to the terms and conditions of its agreement, the City or County shall notify the Developer/Owner in writing at the address stated in the agreement, and if such is not cured within thirty (30) days from the date of such notice ("Cure Period"), the agreement shall be terminated.
3. In the event that the Developer/Owner:
 - a) Allows its ad valorem taxes owed the City, County or an affected jurisdiction 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 the abatement agreement and fails to cure same during the Cure Period;

this agreement shall be terminated or modified by City and County and all taxes and incentive agreements previously abated and/or awarded by virtue of the agreement will be recaptured and paid within sixty (60) days of the termination.

ASSIGNMENT

1. This Tax Abatement and Incentives Agreement may be transferred and assigned by the Developer/Owner to a new owner or lessee of the same facility upon the approval by resolution of the City Council of the City of Crockett and Houston County, subject to the financial capability of the assignee and provided that all conditions and obligations in the abatement agreement are guaranteed by the execution of a new contractual agreement with the

City and County.

2. The contractual agreement with the new owner or lessee shall not exceed the termination date of the abatement agreement with the original owner and/or lessee.
3. No assignment or transfer shall be approved if the parties to the existing agreement, the new owner or new lessee are liable to any affected jurisdiction or taxing entity for outstanding taxes or other obligation.

If this agreement has omitted any mandatory requirements of the applicable tax abatement laws of the State of Texas, then such requirements are hereby incorporated as a part of this agreement.

II. Performance by Developer/Owner

- a. Capital Investment. Developer/Owner represents that a minimum capital investment of Three Million Six Hundred Thirty Thousand Dollars (\$3,630,000.00) is anticipated to be made in the Project, subject to the terms and conditions of this Agreement, prior to the commencement of production at the facility.
- b. Construction Commencement Date. Construction by Developer/Owner of the facility shall commence on or before October 24, 2023, provided that no acts of force majeure prevent or delay the start of construction.
- c. Employment. Developer/Owner, represents that it will, before the end of the first year after commencement of production, employ not less than twenty-one (21) full-time employees, or salary of \$552,470.00 and that twenty-nine (29) full-time employees will be employed within three (3) years or salary of \$762, 934 following commencement of production. The obligation to maintain 29 full-time employees or minimum salary shall apply for the balance of ten (10) consecutive years.

~~III. Recapture for Default. If such default is the result of failure of Developer/Owner to use the Real Property exclusively for a functioning facility to manufacture materials that enhance the durability of wood products, for a period of at least ten (10) consecutive years, or the failure to maintain the full-time jobs described above for the period described above, the Real Property~~

~~will automatically revert to and be owned by City without the necessity of any further act on the part of City.~~

IV. Entire Agreement. This Agreement contains the entire agreement between City, County and Developer/Owner with respect to the transactions contemplated herein. This Agreement may be amended, altered, or revoked only by written instrument signed by City, County and Developer/Owner.

V. Successors and Assigns. This Agreement shall be binding on and inure to the benefit of the parties, their respective successors and assigns. Developer/Owner may assign all or part of its rights and obligations hereunder only upon prior written approval of City and County, which approval shall not be unreasonably withheld or delayed.

VI. Notices. Any notice and/or statement required and permitted to be delivered shall be deemed delivered by depositing same in the United States mail, certified with return receipt requested, postage prepaid, addressed to the appropriate party at the following addresses or at such addresses provided by the parties in writing hereafter.

Developer/Owner: A & A Texas Capital, L.P.
1910 SE Loop 304
Crockett, Texas 75835

City: City of Crockett, Texas
200 N. Fifth St.
Crockett, Texas 75835
ATTN: John Angerstein

County: Houston County, Texas
401 E. Goliad, Ste. 201
Crockett, Texas 75835
ATTN: County Judge

VII. Applicable Law. This Agreement is made and shall be construed and interpreted under the laws of the State of Texas and exclusive jurisdiction and venue for any cause of action, claim, dispute, or legal proceeding arising out of this Agreement shall lie in the State District Courts of Houston County, Texas.

VIII. Severability. In the event that any provision of this Agreement is illegal, invalid, or unenforceable under present or future laws, then and in that event it is the intention of the parties hereto that the remainder of this Agreement shall not be effected thereby, and it is also the intention of the parties to

this Agreement that in lieu of each clause or provision that is found to be illegal, invalid, or unenforceable, a provision be added to this Agreement which is legal, valid and enforceable and is as similar in terms as possible to the provision found to be illegal, invalid, or unenforceable clause or provision.

IX. Counterparts. If this Agreement is executed in multiple counterparts, all counterparts taken together constitute this Agreement. Copies of signatures to this Agreement are effective as original signatures.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on this 24TH day of October, 2023.

CITY OF CROCKETT, TEXAS

BY: _____
DR. IANTHIA FISHER, MAYOR

ATTEST:

MITZI STEFKA, CITY SECRETARY

HOUSTON COUNTY, TEXAS

BY: _____
JIM LOVELL, COUNTY JUDGE

ATTEST:

TERRI MEADOWS, COUNTY CLERK

A & A TEXAS CAPITAL, L.P.

BY: _____
