

City of Houston, Texas, Ordinance No. 2007- 808

**AN ORDINANCE APPROVING AND AUTHORIZING A TAX ABATEMENT AGREEMENT BETWEEN THE CITY OF HOUSTON, TEXAS AND MALLOY REAL ESTATE LIMITED PARTNERSHIP, LTD. AND ACTION BOX COMPANY, INC., FOR CERTAIN PROPERTY LOCATED WITHIN THE ACTION BOX REINVESTMENT ZONE; AND DECLARING AN EMERGENCY.**

\* \* \* \* \*

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOUSTON, TEXAS:**

**Section 1.** That the City Council hereby approves and authorizes the contract, agreement or other undertaking described in the title of this Ordinance, in substantially the form of the document attached hereto and incorporated herein by this reference. The Mayor is hereby authorized to execute the Agreement described in the title of this Ordinance and all related documents on behalf of the City of Houston and to take all actions necessary to effectuate the City's intent and objectives in approving such contract, agreement, or other undertaking in the event of changed circumstances. The City Secretary is hereby authorized to attest to all such signatures and to affix the seal of the City to all such documents.

**Section 2.** That the City Attorney is hereby authorized to take all action necessary to enforce all legal obligations under said agreements without further authorization from City Council.

**Section 3.** That the City Council hereby finds that the terms of the Agreement authorized by this Ordinance meet the guidelines and criteria of Chapter 44 of the Code

of Ordinances, Houston, Texas; that this Agreement will result in no substantial potential adverse effect on the provision of City services or the tax base; and that the planned use of the property, for the manufacturing, sales and administrative operations of a corrugated box production company, will not constitute a hazard to public safety, health or morals.

**Section 4.** That the City Council officially finds, determines, recites, and declares that a sufficient written notice of the date, hour, place, and subject of this meeting of the City Council was posted at a place convenient to the public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Tex. Govt. Code Ann. ch. 551; and that this meeting has been open to the public as required by law at all times during which this Ordinance and the subject matter thereof has been discussed, considered, and formally acted upon. The City Council further ratifies, approves, and confirms such written notice and the contents and posting thereof.

**Section 5.** That there exists a public emergency requiring that this Ordinance be passed finally on the date of its introduction as requested in writing by the Mayor; therefore, this Ordinance shall be passed finally on such date and shall take effect immediately upon its passage and approval by the Mayor; however, in the event that the Mayor fails to sign this Ordinance within five days after its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

PASSED AND ADOPTED this 3rd day of July, 2007.

APPROVED this \_\_\_\_\_ day of \_\_\_\_\_, 2007.

\_\_\_\_\_  
Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is JUL 10 2007.

Cynthia Russell  
City Secretary

(Prepared by Legal Department  
(DFM/ba 07/20/07)

DEBORAH F. ALBEE  
Senior Assistant City Attorney

(Requested by Judy Gray Johnson, Director, Finance and Administration Department)  
(L. D. File No. 0340700137001)

AYE	NO	
✓		MAYOR WHITE
••••	••••	COUNCIL MEMBERS
✓		LAWRENCE
✓		JOHNSON
	✓	CLUTTERBUCK
✓		EDWARDS
✓		WISEMAN
✓		KHAN
	✓	HOLM
✓		GARCIA
✓		ALVARADO
✓		BROWN
✓		LOVELL
✓		NORIEGA
ABSENT-OUT OF CITY BUSINESS		GREEN
ABSENT		BERRY
CAPTION	ADOPTED	

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CAPTION PUBLISHED IN DAILY COURT  
REVIEW  
DATE: JUL 09 2007

## **TAX ABATEMENT AGREEMENT**

This **TAX ABATEMENT AGREEMENT** (this "Agreement") is made by and between the **CITY OF HOUSTON, TEXAS**, a municipal corporation and home-rule city (the "City"), **MALLOY REAL ESTATE LIMITED PARTNERSHIP, LTD.**, a Texas limited partnership, (the "Owner") and **ACTION BOX COMPANY, INC.**, a Texas corporation (the "Lessee"), both qualified to do business in the State of Texas and owners of interest in real property located within the Zone (defined below).

### **WITNESSETH:**

**WHEREAS**, the creation and retention of job opportunities in the City is paramount to the City's continued economic development; and

**WHEREAS**, the Owner desires to construct a "manufacturing facility", as defined in Section 44-121 of the Code of Ordinances, Houston, Texas, to be used by the Lessee as its corporate headquarters and manufacturing facility for the purpose of designing, manufacturing and selling of corrugated boxes and industrial packaging products; and

**WHEREAS**, the Owner and Lessee (collectively the "Applicants") have filed a written application for tax abatement, as amended, dated as of May 14, 2007, in accordance with Section 44-123 of the Code of Ordinances; and

**WHEREAS**, the City Council finds that it is reasonably likely that this Agreement will contribute to the retention, expansion and creation of primary employment and will attract major investment in the Zone that would be a benefit to property within the Zone and that would contribute to the economic development of the City; and

**WHEREAS**, the City Council finds that the Improvements are practical and are of benefit to the area within the Zone and to the City; and

**WHEREAS**, the City Council finds that there will be no substantial potential adverse effect on the provision of City services or on the tax base caused by this Agreement; and

**WHEREAS**, the Owner has represented that the facility will be designed and constructed to meet all applicable federal, state, and local environmental regulations, and the Applicants have represented that the construction and operation of the facility will not result in environmental degradation or hazard; and

**WHEREAS**, the City Council finds that the planned use of the Improvements, when constructed and operated in accordance with applicable environmental standards, will not constitute a hazard to public health, safety or morals; and

**WHEREAS**, the City Council finds that the terms of this Agreement meet the applicable requirements of Chapter 44, Article IV, of the Code of Ordinances;

**NOW, THEREFORE**, the parties hereto, for and in consideration of the premises and mutual promises stated herein, agree as follows:

**1. Definitions**

The following capitalized terms shall have the meanings assigned to them below, unless otherwise defined or the context clearly requires otherwise.

"Abated Property" means the improvements to the Real Property and the Personal Property of the Applicant, as more fully described in Section 3(a) below.

"Abatement Period" means that period which commences on the first day of the Effective Date of Abatement and ends ten years thereafter.

"Applicants" mean collectively, the Owner and Lessee.

"City" means the City of Houston, Texas.

"Code of Ordinances" means the Code of Ordinances of the City of Houston, Texas, as amended.

"Department" means the City's Finance and Administration Department or its successor.

"Director" means the director of the Department or her designee , or any person who may be designated in writing by the Mayor to perform the functions delegated to the Director in this Agreement, but only for so long as the designations remain in effect.

"Effective Date of Abatement" means the January 1 immediately following the date of approval of this Agreement by the Mayor and City Council.

"HCAD" means the Harris County Appraisal District.

"Improvements" means the improvements to the Real Property made by the Owner, more fully described in Section 5, below, constituting the Abated Property.

"Lessee" means Action Box Company, Inc., a Texas corporation.

"Ordinance" means City of Houston Ordinance No. 2007-\_\_\_\_\_, which created the Zone.

"Owner" means Malloy Real Estate Limited Partnership, LTD., a Texas limited partnership.

"Permanent employee" means an individual who works for, and is an employee of, the Lessee and works a minimum of 35 hours in a seven - day period, and reports to work in the Zone, excluding any contract employee, seasonal employee, or part-time employee.

"Personal Property" means the fixed machinery, equipment and process units (excluding inventory) of the Lessee installed on the Real Property, as more fully described in Section 3(a) below, including any and all other equipment placed in service during the construction period and excluding all personal property currently on HCAD rolls.

"Prime Rate" means the prime commercial lending rate for JPMorgan Chase Bank, or any successor to its commercial banking activities.

"Project" means the facility to be used by the Lessee on the Real Property as more fully described in Section 5(c) below.

"Real Property" means the land to be improved, as more fully described in Section 3(a) below.

"Tax Code" means the Texas Tax Code, as amended.

"Zone" means the Action Box Reinvestment Zone, which is more particularly described in Exhibit "B" of the Ordinance.

## **2. Authorization**

This Agreement is authorized by Chapter 44, Article IV of the Houston Code of Ordinances, which established the property tax abatement program for properties in designated reinvestment zones and by the Ordinance.

## **3. Property**

(a) The street address of the taxable property to be improved under this Agreement is 6207 North Houston Rosslyn Road, Houston, Texas 77091. The Real Property is described more fully in Exhibit 1 attached hereto and made a part hereof for all purposes.

(b) The HCAD tax account number of the Real Property is:

120-924-000-1001

(c) The HCAD tax account for the Personal Property shall be assigned by HCAD and listed in the Lessee's name under the following heading:

Abated Property: 000-000-000-0000

## **4. Representations and Warranties**

(a) The Owner represents that it owns the Real Property, and that the boundaries of the Real Property are contiguous with the boundaries of the Zone.

(b) The Owner and the Lessee represent that they are authorized to execute this Agreement and are authorized to complete the Improvements described in Section 5 hereof and in Exhibit 2 attached hereto.

(c) The Owner represents and warrants that construction of the Improvements described in Exhibit 2 will begin after the effective date of this Agreement. The Owner and Lessee represent and warrant that they have executed a valid Lease Agreement on May 14, 2007, for approximately 80,538 square feet of net rentable area in a building to be constructed by the Owner, and that the Lease Agreement is currently in effect. The Owner and Lessee each represent that the Real Property comprises approximately 20.6425 acres of land

(d) The Owner and Lessee each represent that no interest in the Real Property or Personal Property is held or leased by a member of the City Council or a member of the City's Planning Commission.

(e) The Owner and Lessee represent and warrant that they will invest a minimum of Eight Million Nine Hundred Twenty-One Thousand Five Hundred Dollars (\$8,921,500) on improvements to the Real Property by the end of the construction period, which period shall be the first two years after the Effective Date of Abatement, and that value of the Real Property will increase by at least Eight Million Nine Hundred Twenty-One Thousand Five Hundred Dollars (\$8,921,500) by the January 1 following the completion of the construction period.

(f) The Lessee represents and warrants that it will retain employment in the Zone for one hundred four (104) permanent employees and will create employment in the Zone for twenty-five (25) permanent employees, beginning

not later than three (3) years from the start of the Abatement Period and continuing through the term of this Agreement.

(g) The Lessee represents and warrants that the Improvements will not solely or primarily have the effect of transferring existing employees of the Lessee from one part of the City of Houston to another.

(h) The Lessee represents that the Improvements are necessary because its existing facility cannot efficiently and economically provide the required capacity when reasonable allowance is made for necessary improvements.

(i) The Lessee represents and warrants that it will operate the Project described in Exhibit 3 attached hereto and incorporated herein by this reference.

(j) The Owner and Lessee represent and warrant that the Improvements will be designed, constructed, and operated in accordance with all applicable federal, state, and local environmental regulations. The Lessee represents that the Project will not cause environmental degradation or hazard to the Real Property or the environs of the City of Houston.

## **5. Terms of the Agreement**

(a) The Owner shall have the Improvements constructed substantially in conformity with the description, plans and specifications as described in Exhibit 2.

(b) The Owner shall complete or cause the Improvements to be completed in accordance with the provisions of Exhibit 2 and the City of Houston Building Code. In case of any conflict, the Building Code shall prevail. In

addition, the Applicant shall comply with Chapter 42 of the Code of Ordinances, if applicable (platting regulations).

(c) Upon completion of the Improvements, the Lessee shall use the Improvements for the proposed use specified in this paragraph during the Abatement Period specified in Section 6 hereof. However, the Director may approve a change from the proposed use in writing, if the Director determines that the change is consistent with Chapter 44 of the Code of Ordinances and with the City's general purpose of encouraging development or redevelopment of the Zone during the Abatement Period specified in Section 6 hereof. The proposed use of the Improvements (unless and until the Director approves a change in use) is for the manufacture of corrugated sheet board to make corrugated boxes, pursuant to and to the extent described in Exhibit 3, attached hereto and incorporated herein.

(d) The Applicant shall maintain the Improvements in good repair and condition during the Abatement Period specified in Section 6 hereof.

(e) The Applicant shall allow the City's employees access to the Real and Abated Property for the purpose of inspecting the Improvements to ensure that the Improvements were completed and maintained in accordance with the terms of this Agreement. All inspections will be made only after giving the Applicants notice at least twenty four (24) hours in advance thereof, and will be conducted in such manner as to not unreasonably interfere with the construction and/or operation of the Project. All inspections will be made with one (1) or more representatives of the Applicants and in accordance with the Applicants' safety

and security procedures. The above shall not act as a limitation on the City's ability to perform any inspections or enter the affected property pursuant to the Code of Ordinances, the Building Code or otherwise.

(f) The Owner and Lessee shall provide the City's employees reasonable access to any relevant records requested and necessary for the purpose of conducting an audit of the Project to ensure compliance with this Agreement. Any such audit shall be made only after giving the Owner and Lessee notice at least seven (7) days in advance thereof, and will be conducted in such a manner as to not unreasonably interfere with the operation of the Project. Documents and information provided by the Applicant to the City in connection with any audit or other inspections under this Agreement which are confidential or proprietary to Applicant shall not be used or disclosed by the City other than for the sole purpose of determining Applicant's compliance with the terms and conditions of this Agreement, unless disclosure is otherwise required by state or federal law.

(g) The Owner and Lessee shall not assign this Agreement without the written approval of the City Council, which approval shall not be unreasonably withheld. In addition, any such assignment must comply with the provisions of Section 44-137 of the Houston Code of Ordinances.

(h) Not later than February 1 of each year during the Abatement Period, the Lessee shall submit to the Director and the Chief Appraiser of HCAD an employee count for the Project. The employee count submitted shall correspond to the employee count reported in the Lessee's "Employer's

Quarterly Report" to the Texas Workforce Commission. The employee count submitted by the Lessee shall be used to determine abatement eligibility for that year and be subject to audit (if requested by the Director), pursuant to the provisions of subsection (g) of Section 44-127 of the Code of Ordinances. The Lessee, if requested by the Director, shall have an independent audit prepared of the employment\employee count documentation and shall submit the audit to the Director for use in complying with the requirements of this subsection. The Director shall certify to the Chief Appraiser of HCAD whether the Lessee is in compliance with the employment requirements of this Agreement.

(i) This Agreement may be amended at any time upon the mutual written consent of all parties hereto, subject to approval by the City Council.

(j) The Applicant shall annually file the appropriate form with HCAD to qualify for tax abatement. In addition, the Lessee shall annually render with HCAD the value of all personal property located at 6207 North Houston Rosslyn Road, Houston, Texas during the abatement period.

## **6. Tax Abatement**

(a) Abatement on the Improvements specifically listed in Exhibit "2" shall be permitted only for the value of new "eligible property" constructed or added after the effective date of this Agreement as provided in Section 44-127 (b) and (d) of the Code of Ordinances, subject to the limitation stated in Section 5 of this Agreement. Abatement shall not be permitted for the value of eligible new improvements over \$8,921,500. In addition, this exemption from taxation is specifically subject to the rights of the holders of outstanding bonds of the City.

This abatement shall be granted effective on the January 1 immediately following the date of approval of the Agreement by the Mayor and City Council (the "Effective Date of Abatement"). The portion of the value of new eligible Improvements subject to the abatement shall be 50 percent (50%) per year for a period of ten (10) years (the "Abatement Period") from the Effective Date of Abatement. If the period of construction extends beyond two (2) years from the Effective Date of Abatement, the Improvements shall be considered completed for purposes of abatement and, in no case, shall the Abatement Period, inclusive of the construction period, exceed ten (10) years from the Effective Date of Abatement.

(b) From the Effective Date of Abatement to the end of the Abatement Period, taxes shall be payable as follows:

(1) The value of ineligible property as defined in Section 44-127(e) of the Code of Ordinances, including the value of the Real Property, shall be fully taxable;

(2) The base year value of eligible property, and all property except for the value up to \$8,921,500 of the Abated Property, as defined in Section 44-127 (d) of the Code of Ordinances, shall be fully taxable;

(3) The additional value of the Improvements constructed or installed after the effective date of this Agreement, as determined each year, shall be taxable in accordance with Section 6(a) of this Agreement.

(c) The City shall enter into only one tax abatement agreement for the Project described in this Agreement during the existence of the Zone.

**7. Default and Recapture**

(a) This Agreement shall terminate in the event that the use and operation of the Project for the purpose specified in Section 5(c) above is discontinued, for any reason excepting fire, explosion, other casualty or accident, or natural disaster, continuously for a period in excess of twelve (12) months during the Abatement Period. The Applicants shall not be entitled to the abatement of taxes for that twelve-month period during which the Project was not used for purpose specified in Section 5(c). The taxes abated during that twelve-month period shall become immediately due and payable, and shall be paid to the City within sixty (60) days from the date of termination of this Agreement.

(b) The Owner and Lessee, respectively, as applicable, shall be in default hereof in the event that:

- (1) the Owner or the Lessee allows ad valorem taxes owed the City to become delinquent and fails to timely and properly follow the legal procedures for their protest and/or contest; or
- (2) either the Owner or the Lessee has made any material representation regarding the Project which is determined to be false or misleading in any respect; or
- (3) the Applicants fail to timely file their annual rendition or annual application for tax abatement with HCAD during the Abatement Period (taking into account any extensions of applicable time periods for such filings granted in accordance with the Tax Code) or make a materially false statement in either.
- (4) the Owner or the Lessee is in breach of any material warranty and fails to cure within sixty (60) days from the date

notice is provided thereof as described below (the "Cure Period"); or

- (5) either Owner or Lessee violates any of the terms and conditions of this Agreement and fails to cure during the Cure Period.

(c) In the event of default by either the Owner or the Lessee defaults on any terms and conditions of this Agreement, the Owner or the Lessee shall notify the City in writing at the address stated in this Agreement within sixty (60) days of such default.

(d) Should the City determine that the Owner or Lessee is in default according to the terms and conditions of this Agreement, the City shall notify the Owner and Lessee in writing by U.S. Mail, certified return receipt requested, at the address stated in this Agreement, and if such default is not cured during the Cure Period, then this Agreement may be terminated as to all parties. In the event of termination, all or a pro rata share of taxes (as determined by the Director) previously abated by virtue of this Agreement shall be recaptured, and shall be paid by the Lessee within 60 days of termination.

(e) In the event that the Lessee vacates the Real Property or abandons or discontinues use of the Improvements beyond the period set forth in Section 7(a), then this Agreement may be terminated as to all parties and all taxes abated during the preceding calendar year on the Improvements shall be recaptured and shall be paid by the Lessee to the City within 60 days of the termination of this Agreement.

(f) Notwithstanding the foregoing provisions, the Owner, Lessee and the City, pursuant to the provisions of section 44-131(d) of the Code of

Ordinances, may amend this Agreement, in lieu of termination, for the purpose of maintaining the goal of development or redevelopment of the Zone. The Director is authorized to terminate the Agreement and pursue recapture of all or a portion of the abated taxes if the parties fail to agree to proposed revisions and amendments to the Agreement.

(g) The Owner and Lessee shall pay the City interest at a varying rate per annum, which shall from day to day be equal to the Prime Rate, on any amount of previously abated taxes that are due to be recaptured under Section 7(a), (d), (e) or (f) of this Agreement. Each change in the interest rate charged hereunder shall become effective, without notice to the Owner or the Lessee, on the effective date of each change in the Prime Rate. Interest for each year's abated taxes to be recaptured pursuant to Section 7(a), (d), (e) or (f) of this Agreement shall be calculated beginning the February 1 of the succeeding year, Interest shall be calculated on the basis of a year of 360 days and the actual days elapsed (including the first day but excluding the last day) occurring in the period for which such interest is payable, unless such calculation would result in a usurious rate, in which case the rate will be calculated on the per annum basis of a year of 365 or 366 days, as applicable, and the actual days elapsed (including the first day but excluding the last day).

## **8. Administration**

(a) The Chief Appraiser of HCAD shall annually determine the value of the Improvements listed in Exhibit 2 hereof. Each year, the Owner and Lessee shall furnish the City with such information as may be necessary for calculating

the amount of abatement. Once the value of the Improvements has been established and the amount of the abatement calculated, the chief appraiser of the HCAD shall notify the affected jurisdictions that levy taxes of the amount of assessment.

(b) Upon completion of construction of the Improvements, the Director shall annually evaluate the facility receiving abatement to ensure compliance with this Agreement and prepare a report of any violations of this Agreement.

**9. Compliance with Applicable Government Regulations**

Except as specifically provided herein, nothing in this Agreement shall be construed to alter or affect the obligation of the Applicants to comply with any ordinance, rule or regulation of the City, or the laws and regulations of the State of Texas and the United States.

**10. Merger**

The parties agree that this Agreement contains all of the terms and conditions of the understanding of the parties relating to the subject matter hereof. All prior negotiations, discussions, correspondence and preliminary understandings between the parties and others relating hereto are superseded by this Agreement.

**11. Notice**

All notices shall be in writing and unless hand delivered, shall be sent by U.S. Mail certified, return receipt requested. Unless otherwise provided in this Agreement, all notices shall be delivered to the following address

**To the Lessee:**

Action Box Company, Inc.  
6207 N. Houston Rosslyn Road

Houston, Texas 77091-3409

**To the Owner:**

Malloy Real Estate Limited Partnership, LTD.  
Attn: Terry Malloy  
7814 Bryonwood Drive  
Houston, Texas 77055-6825

**To the City:**

If mailed:

Director  
Finance and Administration Department  
P. O. Box 1562  
Houston, Texas 77251

If personally delivered:

Director  
Finance and Administration Department  
611 Walker, 10th Floor  
Houston, Texas 77002

Each party may designate a different address by giving the other party written notice ten (10) days in advance of such designation.

**12. Effective date**

The effective date of this Agreement is the date the Agreement is approved by the Mayor and City Council.

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

**MALLOY REAL ESTATE  
LIMITED PARTNERSHIP, LTD.  
(a Texas limited partnership)**

**By: MALLOY MANAGEMENT, L.L.C.,  
(General Partner)**

\_\_\_\_\_  
Name:  
Title:

**ATTEST**

By: \_\_\_\_\_  
Name:  
Title:

**ACTION BOX COMPANY, INC.  
(a Texas corporation)**

By: \_\_\_\_\_  
Name:  
Title:

**ATTEST:**

By: \_\_\_\_\_  
Name:  
Title:

**CITY OF HOUSTON, TEXAS**

\_\_\_\_\_  
Mayor

**ATTEST/SEAL:**

\_\_\_\_\_  
City Secretary

**COUNTERSIGNED**

\_\_\_\_\_  
City Controller

**DATE COUNTERSIGNED:**

**APPROVED:**

\_\_\_\_\_  
Director, Finance and  
Administration Department

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Senior Assistant City Attorney  
L.D. File No. \_\_\_\_\_

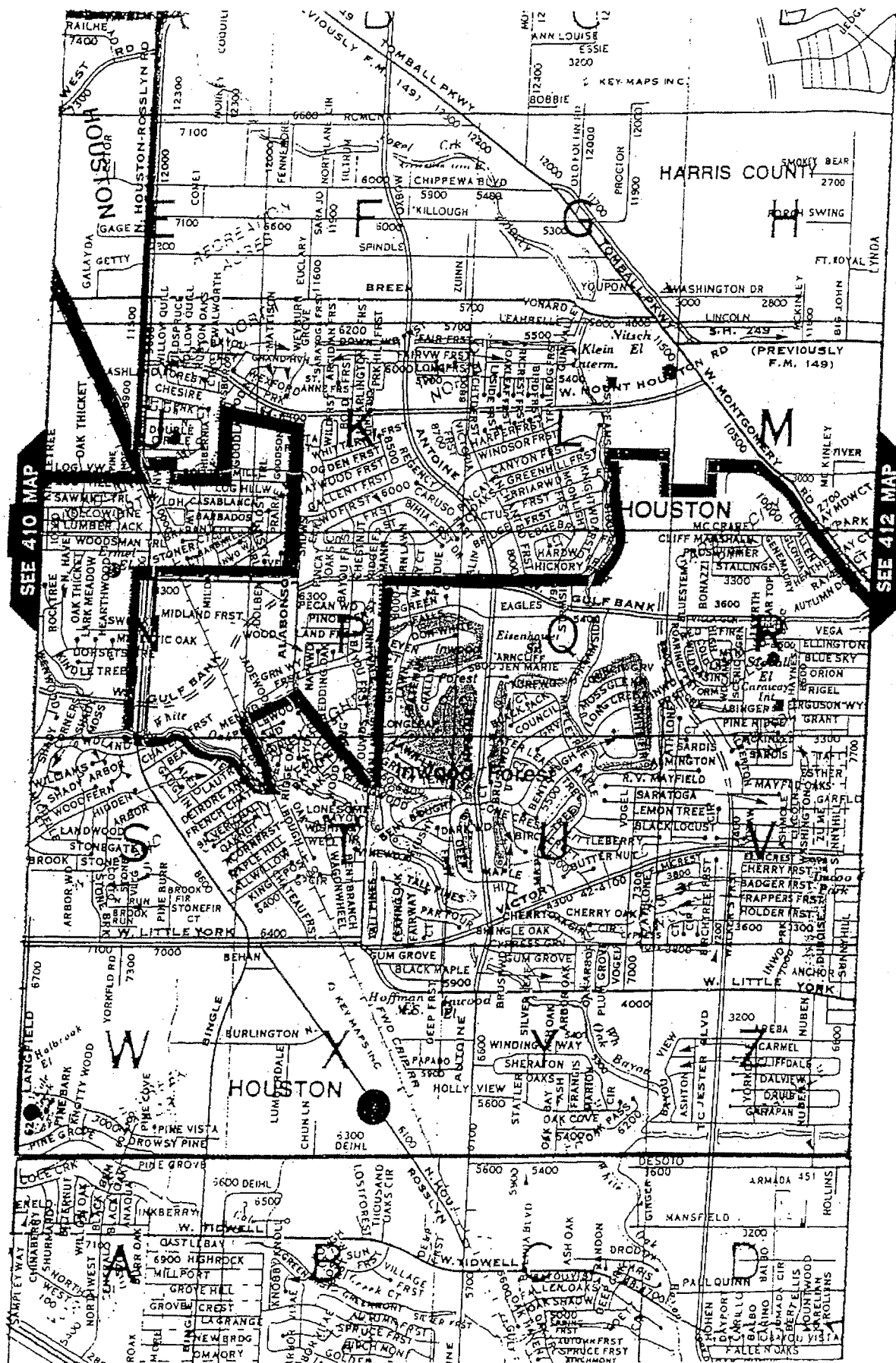
EXHIBIT 1

LEGAL DESCRIPTION OF PROPERTY

©KEY MAPS, INC.  
1411 W. Alabama  
Houston, TX 77006  
(713) 522-7949

©KEY MAPS, INC.  
1411 W. Alabama  
Houston, TX 77006  
(713) 522-7949





6207 N Houston Rosslyn Rd

TRACT TO BE SOLD  
20.6426 AC

299,191 Sq Feet

SURVEY OF 20.6426 AC  
OUT OF A-346  
HARRIS COUNTY TEXAS

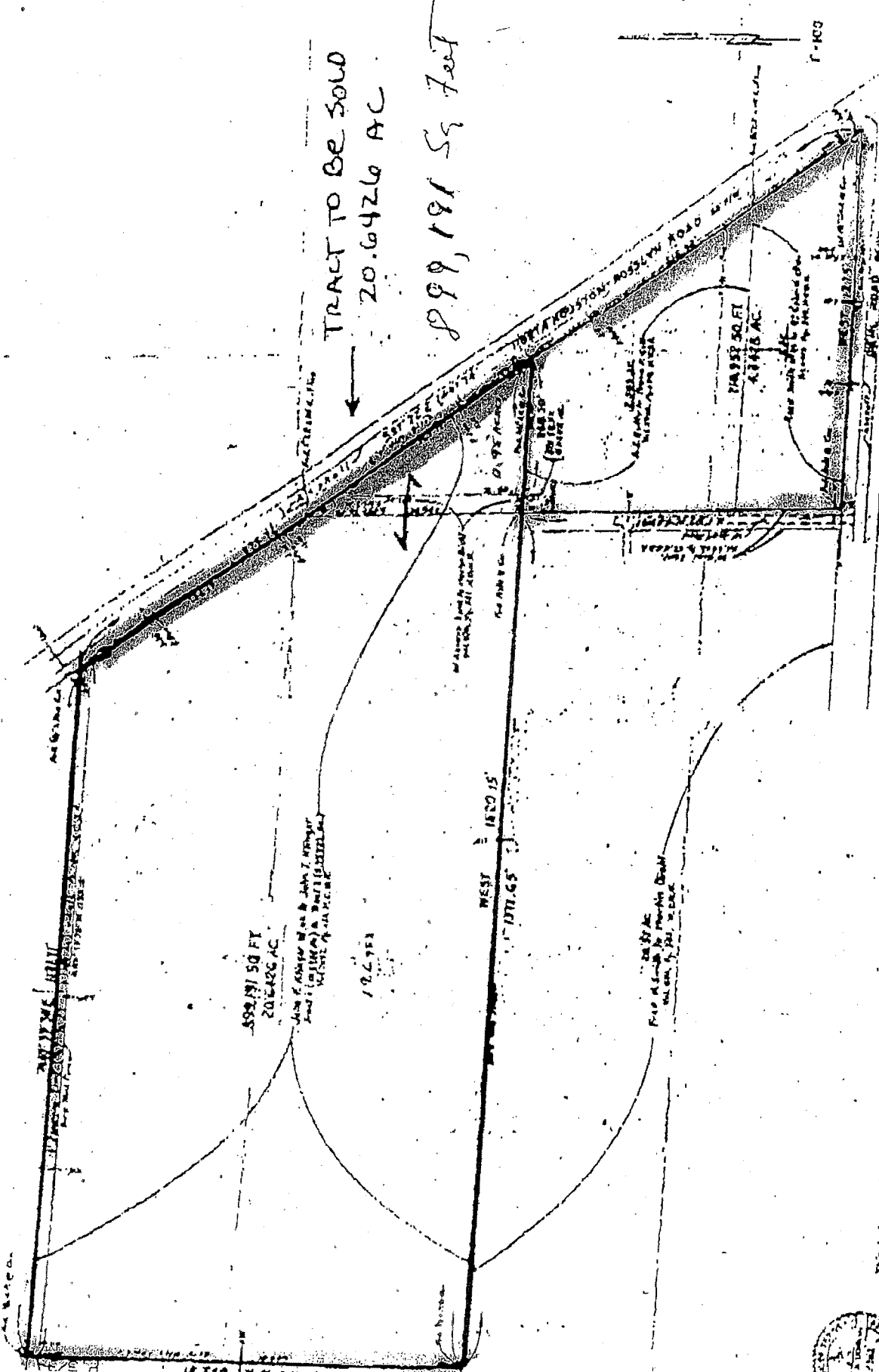
PAUL A. LEONARD  
CIVIL ENGINEER - LAND SURVEYING

This is to certify that this plat correctly shows  
the above described INTEREST in A-346, A-347, A-348, A-349  
surveyed on the ground by me on October 22, 1982.  
There are no other encumbrances shown on these  
tracts.

*Paul A. Leonard*



DEED-100-100 HARRIS CO. TX



6207 N Houston Rosslyn Rd



054-74-1480

20.6426 Acres  
899.191 Sq ft

20.6426 acres (or 899,191 square feet) of land out of the A. G. Holland Survey, A-146, in Harris County, Texas, and consisting of the total of those certain two tracts of land described as Tract 1 containing 19.6958 acres and Tract 2 containing 0.95303 acre in deed from John F. Klinger et ux to John T. Klinger recorded in Volume 7092, Page 121, Harris County Deed Records, said 20.6426 acres of land being described as follows:

BEGINNING at a 3/4" iron pipe at the southeast corner of said 0.95303 acre tract and the northeast corner of that certain 2.843 acre tract described in deed from A. J. Guillo to Frank P. Guillo recorded in Volume 5996, Page 140, Harris County Deed Records, on the westerly right-of-way line of North Houston-Rosslyn Road, 60 feet wide, from which a 1-1/4" iron pipe at its intersection with the north right-of-way line of Diehl Road, 60 Feet wide, bears South 37°22' East 616.38 feet;

THENCE West with the south line of said 0.95303 acre tract and the north line of said 2.843 acre tract, at 248.50 feet pass an axle at the northwest corner of said 2.843 acre tract, the southwest corner of said 0.95303 acre tract, the southeast corner of said 19.6958 acre tract and the northeast corner of that certain 20.57 acre tract described in deed from Fred H. Smith to Martin Diehl recorded in Volume 674, Page 541, Harris County Deed Records, and continuing with the north line of said 20.57 acre tract and the south line of said 19.6958 acre tract and generally along a fence at a total distance of 1620.15 feet to a 3/4" iron pipe for corner at the southwest corner of said 19.6958 acre tract and the southeast corner of a 5 acre tract described in deed from P. J. Gabriel to L. A. Gabriel recorded in Volume 692, Page 103, Harris County Deed Records;

THENCE North 0°13' West with the east line of said 5 acre tract, the west line of said 19.6958 acre tract and in part generally along a fence, at 640.81 feet pass an old 3/4" iron pipe at a corner of said fence at the southwest corner of a 15 foot wide road easement described in said Gabriel deed, and at a total distance of 655.81 feet to a 3/4" iron pipe for corner at the northeast corner of said 5 acre tract, the northwest corner of said road easement and the northwest corner of said 19.6958 acre tract;

THENCE North 89°59'30" East with the north line of said 19.6958 acre tract and in part along a line generally 15 feet north of said fence, 1121.71 feet to a 5/8" iron rod for corner at the northeast corner of said 19.6958 acre tract and of said road easement on said westerly right-of-way line of North Houston-Rosslyn Road;

THENCE South 37°22' East with the east line of said 19.6958 acre and 0.95303 acre tracts and said westerly right-of-way line 825.36 feet to the PLACE OF BEGINNING.

Property is these Tracts on parcels in Harris County, Tx, as described above, together with all the appurtenances & improvements thereon or hereunto belonging, appurtenances, and all right, title & interest of the Seller in and to any & all roads, easements, streets & ways affecting or bounding same.

ALL PERSONS WHOM THIS INSTRUMENT MAY AFFECT ARE HEREBY NOTICED THAT THE STATE OF TEXAS, COUNTY OF HARRIS, I, Notary Public, do hereby certify that this instrument was filed in the County of Harris on the date and at the place (Harris County, Texas) and was duly recorded in the Official Public Records of said County of Harris, Texas as

AUG 6 1986

EXHIBIT 2  
ABATED PROPERTY

**ACTION BOX CO., INC.**  
**EXPECTED ABATEABLE PROJECT EXPENDITURES**  
**June 20, 2007**

Building	(\$25.50 Per Sq Ft)		2,040,000
Corrugator Equipment, Inventory & Supplies:			
Corrugator		3,500,000	
Steam System & Boiler/Boiler Room Eqpt (installed)		660,000	
Starch Kitchen		87,500	
Outfeed Conveyor/Strapper		45,000	
Scrap System		50,000	
Chiller		25,000	
Compressor Lines		30,000	
Air Compressor		90,000	
Conveyor		270,000	
Equipment Rigging (Altec)		168,000	
Electrical		150,000	
Remove Dry End - Electrical		19,500	
Remove Dry End		60,000	
Plumbing		80,000	
		5,235,000	
Flexo Folder Gluer		1,646,500	6,881,500
Total Expected Abatable Project Expenditures			8,921,500
Total Expected Abatable Project Expenditures		Say	8,900,000

EXHIBIT 3

PROJECT SUMMARY AND ECONOMIC ANALYSIS

# ACTION BOX CO., INC.

## TAX ABATEMENT SUMMARY

During the abatement period, the City's average annual revenue increases by \$46,288.  
 After the abatement period, the average annual revenues increase \$75,060 over current revenues.

### JOBS

Retained	104
New	25
Total Jobs	<u>129</u>

### FISCAL IMPACT

#### Current Revenues (Retained Jobs & Base Property Value)

Annual Property Taxes <sup>(1)</sup>	\$ 3,946
Annual Sales Tax Revenues of retained jobs <sup>(2)</sup>	43,888
Total	<u>\$ 47,834</u>

#### Revenues During Abatement Period

Average Annual Property Taxes <sup>(3)</sup>	\$ 39,684
Average Annual Sales Tax Revenues of retained and new jobs <sup>(2)</sup>	54,438
Total	<u>\$ 94,122</u>

<b>Increase From Current Property Tax &amp; Sales Tax</b>	<b>\$ 46,288</b>
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<b>AVERAGE ANNUAL TAXES ABATED</b>	<b>\$ 28,772</b>
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#### Indirect Economic Impact:

**By creating 25 full-time jobs, 29 indirect jobs will be created.**

**The total annual economic impact is estimated to be \$9.6 million.**

(1) Real Property Taxes; applies to City tax only.

(2) Sales Tax Multiplier of \$422 per job determined by using 1) Action Box Company's average annual salary of \$25,987 based on estimated annual payroll of 25 new jobs and 2) related sales tax from the IRS 2006 Optional State and Certain Local Sales Tax Tables

(3) Real and Personal Property Taxes; applies to City tax only.

CITY OF HOUSTON - ECONOMIC DEVELOPMENT  
TAX ABATEMENT ANALYSIS  
ESTIMATED AD VALOREM REVENUE SUMMARY  
6/20/2007

NAME OF PROJECT: **Action Box Co., Inc.**  
Average Abatement: **50%**

Business												
Real Property		Personal Property		Total Value		Notes:						
Base Year (TY 2006) - Appraised Value (Land)		\$ 611,827		\$ 611,827		1) Current tax rates remain constant for life of abatement						
Abatable Improvements		\$ 2,040,000 (New building)		6,881,500 (Machinery)		2) Base on investment schedule established by applicant						
Nonabatable Improvements		\$ 2,651,827		1,080,000 (Inventory)		3) Analysis Does Not Utilize "Present Value" Calculations						
		\$ 0.6450		\$ 7,961,500								
Tax Rate per \$100 value				Total value of improvements \$ 10,001,500								
				Total value of Abateable Improvements \$ 8,921,500								
Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10		
2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
\$ 611,827	\$ 611,827	\$ 611,827	\$ 611,827	\$ 611,827	\$ 611,827	\$ 611,827	\$ 611,827	\$ 611,827	\$ 611,827	\$ 611,827		
	8,921,500	8,921,500	8,921,500	8,921,500	8,921,500	8,921,500	8,921,500	8,921,500	8,921,500	8,921,500		
	1,080,000	1,080,000	1,080,000	1,080,000	1,080,000	1,080,000	1,080,000	1,080,000	1,080,000	1,080,000		
	<b>\$ 10,613,327</b>	<b>\$ 10,613,327</b>	<b>\$ 10,613,327</b>	<b>\$ 10,613,327</b>	<b>\$ 10,613,327</b>	<b>\$ 10,613,327</b>	<b>\$ 10,613,327</b>	<b>\$ 10,613,327</b>	<b>\$ 10,613,327</b>	<b>\$ 10,613,327</b>		
<b>ABATEMENT SCHEDULE</b>												
Taxes Abated												
Taxes Paid												
<b>ANNUAL TAXES PAID WITHOUT ABATEMENT</b>												
Without Improvements (Base Value Only)												
Abatable Improvements Only												
Nonabatable Improvements Only												
Total Taxes Paid												
<b>CUMULATIVE TAXES PAID WITHOUT ABATEMENT</b>												
Without Improvements (Base Value Only)												
Abatable Improvements Only												
Nonabatable Improvements Only												
Total Taxes Paid												
<b>ANNUAL TAXES PAID / ABATED WITH ABATEMENT</b>												
Without Improvements (Base Value Only)												
Abatable Improvements Only												
Nonabatable Improvements Only												
Total Taxes Paid												
Taxes Abated - Abatable Improvements (50% abated)												
<b>CUMULATIVE TAXES PAID / ABATED WITH ABATEMENT</b>												
Without Improvements (Base Value Only)												
Abatable Improvements Only												
Nonabatable Improvements Only												
Total Taxes Paid												
Taxes Abated - Abatable Improvements (50% abated)												