Contract ID #
180228-11

11

STATE OF TEXAS §

COUNTY OF WALLER §

TAX ABATEMENT AGREEMENT BETWEEN WALLER COUNTY, TEXAS, WELCOME SUB 55, LLC, AND MAN DIESEL & TURBO NORTH AMERICA, INC.

This Agreement is entered into by and between the County of Waller, Texas, duly acting herein by and through the County Judge ("County"), Welcome Sub 55, LLC, a Texas limited liability company ("Owner"), and MAN Diesel & Turbo North America, Inc., a New York corporation, and its successors or assigns ("Tenant"), on this the 28th day of February, 2018.

RECITALS:

WHEREAS, on February 28, 2018, the County passed an Order establishing a Reinvestment Zone for commercial/industrial tax abatement ("ORDER"), as authorized by TEXAS TAX CODE Chapter 312; and

WHEREAS, the County has previously adopted Tax Abatement Policy Guidelines & Criteria ("POLICY") governing Tax Abatement Agreements and Reinvestment Zones; and

WHEREAS, the POLICY constitutes appropriate guidelines and criteria governing Tax Abatement Agreements to be entered into by the County;

WHEREAS, the County has adopted a resolution stating that it elects to participate in tax abatement; and

WHEREAS, in order to maintain and/or enhance the commercial/industrial economic and employment base of County, to otherwise further the goals of the POLICY previously adopted by County, and for the long term benefit of the County;

NOW THEREFORE, the Parties do hereto mutually agree as follows:

COVENANTS AND AGREEMENTS:

1. The property that is the subject of this Agreement shall be referred to as the Premises, and the Premises are described in Exhibit "A," which is attached hereto and incorporated herein.

2. The improvements Owner shall make to the Premises shall be referred to as the Improvements, and the Improvements shall be of the kind, number, and location generally shown on Exhibit "B," which is attached hereto and incorporated herein.

   a. Construction of the Improvements shall be completed on or before December 31, 2020, subject to further extension for force majeure as described herein or unless otherwise agreed to in writing by the parties.

   b. Owner must spend, or cause to be spent, at least $14,800,000 in project costs for the design and construction of the Improvements. Owner shall provide the County with accounting records or other documents evidencing that Owner has spent a minimum of $14,800,000 in project costs with respect to the design, development and construction of the Improvements within sixty (60) days of completion of the Improvements.

   c. Owner shall ensure the Improvements are diligently and faithfully undertaken and completed in a good and workmanlike manner, in compliance with all applicable federal, state, and local laws and regulations.

   d. Owner shall have additional reasonable time to complete the Improvements in the event of "force majeure," if Owner is diligently and faithfully pursuing completion

of the Improvements. "Force majeure" shall mean any contingency or cause beyond the reasonable control of Owner including, without limitation, an act of God, public enemy, war, riot, civil commotion, insurrection, or labor strikes.

3. The tangible personal property to be located within the buildings to be constructed as part of the Improvements, shall be referred to as "Personal Property." "Personal Property" means any property classified as tangible personal property by the appraisal district, other than inventory or supplies that is located within the buildings to be constructed as part of the Improvements. Personal Property is described generally in Exhibit B.

   a. On or before December 31, 2020, Tenant must spend at least $585,000 for the Personal Property to furnish and equip the Improvements, subject to further extension for force majeure as described herein or unless otherwise agreed to in writing by the parties. Tenant shall provide the County with accounting records or other documents evidencing that Owner or Tenant has spent a minimum of $585,000 for the Personal Property to furnish and equip the Improvements.

   b. Tenant shall have additional reasonable time to complete the Personal Property improvements in the event of "force majeure," if Tenant is diligently and faithfully pursuing completion of the Personal Property improvements. "Force majeure" shall mean any contingency or cause beyond the reasonable control of Tenant including, without limitation, an act of God, public enemy, war, riot, civil commotion, insurrection, or labor strikes.

4. Tenant shall, until the expiration of this Agreement, continuously operate and maintain the Premises as a facility for the sale, service, repair, overhaul and packaging of diesel engines, turbomachinery equipment and spare parts.

5. Owner and Tenant shall, in writing and until the expiration of this Agreement, annually certify compliance with this Agreement, including the Employee requirements set forth herein, to the County.

6. Owner and Tenant shall annually apply for the abatement to the Waller County Appraisal District for so long as the law requires annual application.

7. Beginning January 1, 2020 and continuing through December 31, 2027, at least 142 Employees (as defined herein) must be employed at the Improvements. The anticipated number of jobs and classifications is shown on Exhibit "C" attached hereto for illustration purposes. The parties agree and understand that the number of Employees within a certain class may increase or decrease and that Tenant is in compliance with the Employee requirements so long as 142 Employees are employed, as described herein, regardless of the number of Employees in each class. An Employee is a person who (i) is an employee or contract employee of the Tenant, or an affiliated entity or subsidiary of the Tenant, and paid directly, or in the case of a contract employee paid directly or indirectly, by the Tenant, or an affiliated entity or subsidiary of the Tenant, and (ii) regularly works at least 35 hours a week at the site of the Improvements, excluding time taken for holidays, vacations, sick leave or other regular leave.

a. To the greatest extent possible, and where there are qualified applicants living in Waller County, Tenant shall, use reasonable efforts, to employ persons living in Waller County, Texas.

b. Tenant, if requested by the County, shall validate compliance with the employee requirements by providing the copies of IRS Forms 941 or IRS Forms 1099, a list of employee names, reports from its internal employee reporting system, or any other records reasonably requested by the County.

c. If, for any year of this Agreement, the Tenant fails to maintain the required minimum number of Employees at the Improvements for any consecutive 90-day period, the County may not declare an event of default, but the tax abatement granted by this Agreement will be reduced as provided in this paragraph. The amount of the tax abatement granted by this Agreement for the tax year following the year in which the requirement was not met is reduced by the same percentage as the percentage decrease in the actual number of Employees that is maintained in the 90-day period. For example, if the actual average number of Employees is 137 in any 90-day period in 2020, the percentage decrease in the actual number of Employees below the number required would be 3.5% [(142-137)/142) = 3.5%]. The percentage of the tax abatement granted in 2021 under this Agreement on the Improvements and Personal Property would be decreased by the same percentage (100% - 3.5% = 96.5%).

8. It is understood and agreed among the parties that the Premises shall be appraised by the Waller County Appraisal District at market value for property tax purposes beginning January 1, 2019, including the value of any partially completed Improvements.

   a. If there are no Improvements or partially completed Improvements on the Premises on January 1, 2020, and if Owner's failure to make Improvements is not excused under item 2(d), then this Agreement is subject to termination by the County as if a default had occurred under section 11, and there shall be no tax abatement for the tax year beginning January 1, 2020.

   b. Beginning January 1, 2019 and continuing each year thereafter, the Premises and any and all Improvements shall be appraised at market value effective January 1 of each tax year.

9. Owner and Tenant agree to render the Premises for tax valuation purposes with the Chief Appraiser for the Waller County Appraisal District annually and within the deadline for filing renditions.

10. Subject to the terms and conditions of this Agreement, and subject to the rights of the holders of any outstanding bonds of the County, a portion of the ad valorem property taxes which would otherwise be owed to the County for the Improvements and Personal Property shall be abated.

   a. Said abatement shall be in an amount equal to the percentages listed below:

Real Property Improvements-Owner	
Year 1 (2019)	0%
Year 2 (2020)	100%
Year 3 (2021)	100%

Year 4 (2022)	75%
Year 5 (2023)	50%
Year 6 (2024)	100%
Year 7 (2025)	50%
Year 8 (2026)	50%
Year 9 (2027)	25%

Personal Property Subject to Abatement-Tenant

Year 1 (2019)	0%
Year 2 (2020)	50%
Year 3 (2021)	100%
Year 4 (2022)	75%
Year 5 (2023)	50%
Year 6 (2024)	100%
Year 7 (2025)	50%
Year 8 (2026)	50%
Year 9 (2027)	25%

b. The abatement percentages set forth in subsection (a) above shall be applied to the taxes assessed against the Improvements and Personal Property for each year during the abatement period in excess of the base value of the Improvements and Personal Property in the year in which this Agreement is entered, which is zero ($0.00) dollars.

c. The certified appraised value of the Improvements must not be less than $14,800,000 less depreciation as calculated by the appraisal district, on each and every January 1 beginning January 1, 2020. Provided, however, in order to qualify for additional tax abatement, (i) Owner shall spend, or cause to be spent, at least $9,000,000 in project costs for the design and construction of additional improvements (the "Phase 2 Improvements") on or before December 31, 2024 and (ii) on each and every January 1 beginning January 1, 2025, the certified appraised

value of the Phase 2 Improvements must not be less than $9,000,000, less depreciation as calculated by the appraisal district. Owner may from time to time during the term of this Agreement install additional improvements, and modify, remove or replace improvements as Owner may determine in its discretion, all of which will be considered an "Improvement" for purposes of this Agreement.

d. The certified appraised value of the Personal Property must not be less than $585,000 less depreciation as calculated by the appraisal district, on each and every January 1 beginning January 1, 2020. Provided, however, in order to qualify for additional tax abatement, (i) Tenant shall spend, or cause to be spent, at least $10,800,000 for additional Personal Property (the "Phase 2 Personal Property") on or before December 31, 2024 and (ii) on each and every January 1 beginning January 1, 2025, the certified appraised value of the Phase 2 Personal Property must not be less than $10,800,000, less depreciation as calculated by the appraisal district. Owner or Tenant may from time to time during the term of this Agreement add, modify, remove or replace tangible personal property in the Improvements as Owner/Tenant may determine in its discretion, all of which will be considered "Personal Property" for purposes of this Agreement.

e. Failure to meet the requirements of paragraph 10 (c) will result in the reduction of the tax abatement for the Improvements for the year the requirement is not met. Failure to meet the requirements of paragraph 10 (d) will result in the reduction of the tax abatement for the Personal Property for the year the requirement is not met. If the property tax abatement reduction applies in any of the years as provided in

this paragraph, the applicable property tax abatement is reduced by the same percentage as the percentage decrease in the actual appraised value below the required minimum appraised value. For example, if the minimum required value for Personal Property on January 1, 2020 is $585,000 and the certified appraised value was $526,500, the property tax abatement for 2020 would be reduced by 10% from 50% to 40% [(($585,000- $526,500)/($585,000)) x 100% = 10%].

f. Nothing in this Agreement shall affect Owner's, or Tenant's right to protest and/or contest any taxes assessed on the Premises and any and all Improvements or Personal Property, and the abatement percentages shall be applied to the amount of taxes finally determined to be due as a result of any such protest and/or contest.

g. Said abatement shall extend for a period of years, commencing January 1, 2019 and terminating December 31, 2027.

DEFAULT:

11. Owner/Tenant, shall be in default if any of the following occurs:

a. Improvements or Personal Property are not completed in accordance with this Agreement, except where force majeure is provided under item 2(d) or 3(b);

b. Owner/Tenant fails to timely file annual renditions for the Premises and any and all Improvements or the Owner/Tenant fails to file an annual application with the appraisal district for so long as the law requires such an application.

c. Owner or Tenant allows its ad valorem taxes owed to the County, or any other taxes owed to any other taxing entity located in whole or in part in the County, to become

delinquent without timely and properly following the legal procedures for protest and/or contest of any such taxes; or

d. Owner or Tenant operates the Premises in violation of public health and safety laws, or allows the Premises or any part thereof to become a public nuisance.

12. In the event the Owner or Tenant defaults as described in item 11 above, the County shall give the Owner and Tenant written notice of such default. If Owner or Tenant has not cured such default within sixty (60) days of said written notice, or if such default cannot be cured by the payment of money, this Agreement may be terminated by the County. Notice shall be in writing and shall be delivered by personal delivery or certified mail, return receipt requested to Owner and Tenant or their designated representatives.

13. Any notice or certification to be provided pursuant to this Agreement shall be made to the following persons, unless a substitute representative is designated in writing:

For County:

Honorable Trey Duhon
County Judge for Waller County, Texas
836 Austin Street, Suite 203
Hempstead, Texas 77445

For Owner:

Welcome Wilson, Jr.
Welcome Sub 55, LLC
5858 Westheimer, Suite 800
Houston, Texas 77057

For Tenant:

Florian Schiller
Chief Financial Officer

MAN Diesel & Turbo North America Inc.
1600A Brittmoore Road
Houston, Texas 77043, USA

Any party may designate a different address by giving the other parties at least ten (10) days written notice in the manner prescribed above.

14. In the event of default or termination, this Agreement shall terminate (after notice and opportunity to cure as provided for herein), and the County, in such event, shall be entitled to recapture any and all property taxes which have been abated as a result of this Agreement for those years in which the Owner or Tenant was in default and all such taxes shall be paid to the County within sixty (60) days of the expiration of the cure period described in item 12 above.

a. In addition to any taxes due as a result of default, interest on any such amounts, covered by abatement or not current as of the time of default shall be charged at the statutory rate for delinquent taxes, as determined by Chapter 33 of the TEXAS TAX CODE.

b. Notwithstanding subsection (a) above, in the event of default or termination, no penalty shall be charged under Chapter 33 of the TEXAS TAX CODE.

c. If the County terminates this Agreement, no abatements for the Premises for the remaining portion of the Abatement Period after the date of such termination will be allowed.

MISCELLANEOUS:

15. The County represents and warrants that the Premises do not include any property that is owned by a member of the Waller County Commissioners Court, or owned by any party responsible for the approval of this Agreement.

16. The County agrees to take formal action to nominate the project for an enterprise project designation under the Texas Enterprise Zone Program. However, the parties understand that such nomination does not ensure the project will be designated as an enterprise project.

17. The terms and conditions of this Agreement are binding upon the successors and assigns of all Parties. However, this Agreement cannot be assigned by Owner or Tenant without the County's written consent, which shall not be unreasonably withheld.

18. This Agreement does not inure to the benefit of any third-party.

19. It is understood and agreed between the Parties that Owner and Tenant are acting independently in the performance of their obligations hereunder, and the County assumes no responsibilities or liabilities for Owner or Tenant's performance of this Agreement. Owner and Tenant agree to defend, indemnify, and hold harmless the County, including but not limited to the County's officials, officers, employees, agents, and affiliates, and the affiliated appraisal district, from any and all claims, losses, damages, injuries, suits, judgments, and reasonable attorney's fees relating to the Owner's or Tenant's performance of this Agreement or the Owner's Premises or Improvements.

20. Owner and Tenant agree that the County and its agents or employees shall have the reasonable right of access to the Premises to inspect the Improvements and Personal Property to insure that the Improvements and Personal Property improvements have been

made and are being made in accordance with this Agreement. After completion of the Improvements, the County shall have the continuing right to insure that the Premises are thereafter maintained and operated in accordance with this Agreement, during the term of this Agreement. The County's inspections, if any, shall not constitute an acknowledgment or certification to Owner or any third party that Owner is in compliance with federal, state, or local laws or regulations.

21. This Agreement shall be construed and interpreted in accordance with Texas law, and it is performable in Waller County, Texas. Should any part of this Agreement be found unenforceable by a court of competent jurisdiction, all other parts of this Agreement shall continue in full force and effect, and this Agreement shall be reformed to as closely as possible reflect the original terms of this Agreement. Any disputes regarding this agreement shall be litigated or mediated in Waller County, TX.

22. This Agreement was authorized by the minutes of the Commissioners Court of Waller County, Texas at this meeting on February 28, 2018, whereupon it was duly determined that the County Judge would execute the Agreement on behalf of Waller County, Texas.

This Agreement is being executed on February 28, 2018.

Waller County

Carbett "Trey" J. Duhon III
Waller County Judge

FEB 2 8 2018
Date

ATTEST:

Debbie Hollan
Waller County Clerk

FEB 2 8 2018
Date

MAN DIESEL & TURBO NORTH AMERICA INC.,
a New York corporation

By: _____ Date: 3/8/18
Name: FLORIAN SCHILLER / James Otto
Title: CFO / Head of Accounting

WELCOME SUB 55, LLC,
a Texas limited liability company

By: _____ Date: 3/8/18
Name: Craig Hutson
Title: EVP & COO