

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF DENTON, TEXAS, NUNC PRO TUNC, CORRECTING AN INADVERTENT MISTAKE IN ORDINANCE NO. 2016-341 RELATING TO AN ECONOMIC DEVELOPMENT PROGRAM GRANT AGREEMENT WITH SALLY BEAUTY SUPPLY LLC PURSUANT TO CHAPTER 380 OF THE LOCAL GOVERNMENT CODE FOR MAKING GRANTS OF PUBLIC MONEY TO PROMOTE ECONOMIC DEVELOPMENT; PROVIDING FOR A SEVERABILITY CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, on November 1, 2016, the City Council adopted Ordinance No. 2016-341, which ordinance approved an Economic Development Grant Agreement (“Agreement”) between the City and Sally Beauty Supply LLC (“Grantee”), for the purpose of stimulating business activity in the City and promoting the public interest, a copy of said ordinance and Agreement are attached as Exhibit “A”; and

WHEREAS, due to an inadvertent clerical mistake, the Agreement adopted by Ordinance No. 2016-341 is not the correct and final version, rather it is an earlier version of the Agreement; and

WHEREAS, specifically, the Agreement, as adopted, incorrectly reflects an assessed valuation of improvements to be \$22,000,000.00, whereas the correct valuation should reflect \$28,600,000.00, as was intended by the City and Grantee; and

WHEREAS, both City Staff and the Grantee request that this inadvertent mistake be corrected and that the correct and final version of the Agreement, attached as Exhibit “B”, replace the incorrect Agreement version; and

WHEREAS, the City Council has the inherent power to retroactively correct such mistakes to reflect the correct and final version of the Agreement negotiated between the City and the Grantee; and

WHEREAS, the City Council finds that the action taken herein is in the public interest; NOW, THEREFORE

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The findings and recitations contained in the preamble of this ordinance are incorporated herein by reference.

SECTION 2. Ordinance No. 2016-341 is hereby amended to the limited extent necessary to correct an inadvertent clerical mistake by replacing the incorrect Agreement attached to Ordinance No. 2016-341, with the correct Agreement version attached herein as Exhibit “B”.

SECTION 3. All other provisions of Ordinance No. 2016-341 not specifically amended herein shall continue in force and effect; however, the provisions of this ordinance shall govern

and control over any conflicting provisions of Ordinance No. 2016-341, to the extent of any such conflict.

SECTION 4. This Ordinance shall take effect immediately on its passage and approval.

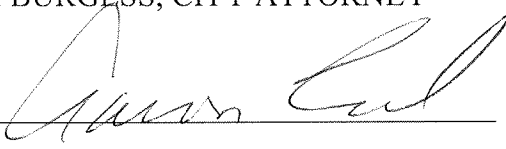
PASSED AND APPROVED this the _____ day of _____, 2017.

CHRIS WATTS, MAYOR

ATTEST:
JENNIFER WALTERS, CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
ANITA BURGESS, CITY ATTORNEY

BY:  _____

ORDINANCE NO. 2016-341

AN ORDINANCE ESTABLISHING AN ECONOMIC DEVELOPMENT PROGRAM UNDER CHAPTER 380 OF THE LOCAL GOVERNMENT CODE FOR MAKING GRANTS OF PUBLIC MONEY TO PROMOTE ECONOMIC DEVELOPMENT AND TO STIMULATE BUSINESS ACTIVITY IN THE CITY OF DENTON; APPROVING AN ECONOMIC DEVELOPMENT PROGRAM GRANT AGREEMENT WITH SALLY BEAUTY SUPPLY LLC, SETTING FORTH THE VARIOUS CONDITIONS PRECEDENT TO SALLY BEAUTY SUPPLY LLC RECEIVING THE PROGRAM GRANT; PROVIDING FOR A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, Sally Beauty Supply LLC ("Grantee") has made a request of the City of Denton to establish an economic development program under Chapter 380 of the Texas Local Government ("Chapter 380") to stimulate the development of commercial property within the City of Denton; and

WHEREAS, the City Council by this Ordinance is establishing an economic development program under Chapter 380 which will stimulate business activity in the City and promote the public interest (the "Program"); and

WHEREAS, to effectuate the Program, the City and Grantee have negotiated an Economic Development Grant Agreement (the "Agreement"), a copy of which is attached hereto and made a part hereof by reference; and

WHEREAS, the City Council finds that the Program and Agreement promote economic development and will stimulate commercial activity within the City of Denton for the benefit of the public; NOW, THEREFORE;


THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The recitals and findings contained in the preamble of this Ordinance are incorporated into the body of this Ordinance.

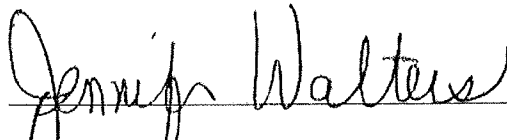
SECTION 2. The City Manager, or his designee, is hereby authorized to execute the Agreement on behalf of the City of Denton and to carry out the City's responsibilities and rights under the Agreement, including without limitation the authorization to make the expenditures set forth in the Agreement.

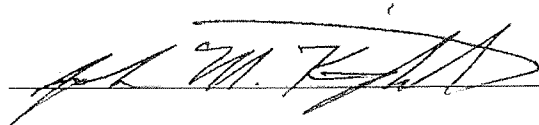
SECTION 3. This Ordinance shall become effective immediately upon its passage and approval.

PASSED AND APPROVED this the 1 day of November, 2016.


CHRIS WATTS, MAYOR

ATTEST:
JENNIFER WALTERS, CITY SECRETARY

BY: 
APPROVED AS TO LEGAL FORM:
ANITA BURGESS, CITY ATTORNEY

BY: 

**ECONOMIC DEVELOPMENT PROGRAM GRANT AGREEMENT WITH
SALLY BEAUTY SUPPLY LLC**

This Economic Development Program Grant Agreement ("Agreement") is made and entered into as of the effective date provided for below, by SALLY BEAUTY SUPPLY LLC (the "Grantee"), a Delaware corporation, and the CITY OF DENTON (the "City"), a Texas municipal corporation, for the purposes and considerations stated below:

WHEREAS, this Agreement is authorized by and made pursuant to the economic development program provisions of Chapter 380 of the Texas Local Government Code (the "Act") to promote local economic development and to stimulate business and commercial activity in the City of Denton; and

WHEREAS, Grantee is contemplating the development of that certain real property located within the city limits of the City as more particularly described in Exhibit "A" attached hereto and made a part hereof by reference (the "Property"); and

WHEREAS, on the 8th day of December, 2015, Grantee submitted an application for economic development incentives with various attachments to the City concerning the contemplated use and development of the Property, which is on file in the City's Office of Economic Development, a copy of which is attached hereto and made a part hereof by reference as Exhibit "B" (the "Application for Economic Development Incentives"); and

WHEREAS, on the 9th day of March, 2016, the Economic Development Partnership Board reviewed the Grantee's Application for Economic Development Incentives and unanimously (8-0) recommended Council approval of a three-year, 50% grant of City ad valorem taxes attributable to Improvements resulting in an increase of assessed value (the "Grant"); and

WHEREAS, the City Council finds that the contemplated use and development of the Property, the proposed improvements provided for herein that will remodel the interior space at 3900 Morse Street to accommodate an increase in the Grantee's employee base at that location, and the other terms and conditions of this Agreement will promote economic development; business retention and expansion efforts; and will stimulate development activity within the City of Denton for the benefit of the public;

NOW, THEREFORE, the City and Grantee for and in consideration of the Property and the promises contained herein do hereby contract, covenant and agree as follows:

I.
CONDITIONS OF THE GRANT

A. In consideration of this Agreement, the retention of the Grantee's ongoing business and investment within the City of Denton; the planned improvements of an interior remodel at the 3900 Morse property; and subject to the Grantee meeting all the terms and conditions of the Grant as set forth herein, the City hereby grants the following:

1. A Grant equal to 50% of City ad valorem taxes attributable to Improvements (as the term "Improvements" is defined below) resulting in an increase of assessed value (excluding land value), above the base year of January 1, 2016, solely from the property located at 3900 Morse Street as determined by the Denton Central Appraisal District, of real property improvements to and tangible personal property (excluding inventory, vehicles and supplies) located on the 3900 Morse Street Property, but only if the combined assessed valuation of the 3900 Morse Street and the Sally Beauty headquarters facility located at 3001 Colorado is at least \$22,000,000 in assessed valuation, as determined by the Denton Central Appraisal District, of the Properties (excluding land) and tangible personal property (excluding inventory, vehicles and supplies) located on the Properties, for a period of three years commencing the first year following receipt by Grantee of the new certificate of occupancy based on the Improvements completed after the base year (the "CO") for the 3900 Morse Street Property. If the assessed value, as determined by the Denton Central Appraisal District, is less than \$22,000,000 for the combined aforementioned properties in Denton (excluding Sally Beauty retail stores) there will be no Grant payment during that year.

B. A condition of the Grant is that, by December 31, 2017 (subject to force majeure delays not to exceed 180 days), Grantee shall have made Improvements on or to the Property, which result in an increase in the assessed values, as determined by the Denton Central Appraisal District, as contemplated by Section I.A.1. However, prior to the expiration of the said 180 day period, the City, in its sole reasonable discretion, shall review the cause of such failure to make such improvements to determine whether an additional extension of the said time period should be granted. In the event the City determines that an additional extension of the 180 day period is appropriate, the City may grant such additional time for the making of improvements as it, in its sole reasonable discretion, deems appropriate. For the purposes of this paragraph, the term "force majeure" shall mean any circumstance or any condition beyond the control of Grantee, as set forth in Section XIV "Force Majeure" which prevents the above-mentioned thresholds or time restraints from being met.

C. The terms "Improvements" or "Contemplated Improvements" are defined as the construction, renovation, remodeling and equipping of the Property including but not limited to (1) costs related to the development and improvement of the real estate, including, without limitation, construction costs and design and engineering costs; (2) tangible personal property located on or at the Property owned or controlled by Grantee, excluding inventory and supplies. The kind and location of the Contemplated Improvements is more particularly described in the Application for Economic Development Incentives.

D. A condition of the Grant is that the Contemplated Improvements be constructed and the Property be used substantially in accordance with the description of the project set forth in the Application for Economic Development Incentives.

E. A condition of the Grant is that throughout the term of the Grant, the Contemplated Improvements shall be operated and maintained for the purposes set forth herein

so that the use of the Property shall be consistent with the general purpose of encouraging development or redevelopment of the City except as otherwise authorized or modified by this Agreement.

G. The City shall have the right to terminate the Grant if the Grantee does not occupy the Contemplated Improvements continuously (subject to force majeure) for the term of the Grant for the purposes set forth in the Application for Economic Development Incentives. In the event of such termination, the Grantee shall refund to the City fifty percent of Grant payments for the year in which Grantee ceases to occupy the Property, and Grant payments for future years shall be terminated.

H. The City and Grantee agree to comply with all the terms and conditions set forth in this Agreement.

II. GENERAL PROVISION

A. In the event of any conflict between the City zoning ordinances, or other City ordinances or regulations, and this Agreement, such ordinances or regulations shall control, provided however the City shall not diminish the benefits to the Grantee under this Agreement through ordinances or regulations (whether now or hereafter in effect).

III. TERMS AND CONDITIONS OF GRANT

A. Subject to the terms and conditions of this Agreement, the City hereby agrees to pay to Grantee, on an annual basis, after the first assessment following receipt by Grantee of the certificate of occupancy for the Property, an amount equal to 50% of the difference between: (a) the then current City ad valorem taxes for the Property and the Improvements, minus, (b) City ad valorem taxes payable for the Property and improvements as of January 1, 2016, (with the resulting payments known as the "Annual Payments"), such Annual Payments to be subject to the terms and conditions provided in this Agreement.

B. Grantee shall have the right to protest and contest any or all appraisals or assessments by the Denton County Appraisal District for the Property, the Improvements or any other tangible personal property owned or controlled by Grantee and located on the Property. All calculations in this Agreement shall be based upon final assessed values after any such protest or contest.

C. The Annual Payments shall be for a term not to exceed three (3) years with the first payment being due and payable on or before 60 days after the City is in receipt of all City ad valorem taxes due and payable for the Property and Improvements as of January 1st of the year following the calendar year in which a certificate of occupancy is issued by the City for the Property (the "Beginning Date"), and, unless sooner terminated as herein provided, shall end after the third Annual Payment. All subsequent Annual Payments shall be due and payable on or before 60 days after the City is in receipt of all ad valorem taxes due and payable for the Property and Improvements as of January 1 for the respective subsequent years.

D. Grantee shall comply with local taxes, fees, and permits directly affecting the City of Denton, such as local sales/use taxes, local permits, use of public easement, and their associated fees, subject to reasonable dispute by Grantee.

IV. RECORDS, AUDITS, AND EVALUATION OF PROJECT

A. Grantee shall provide access and authorize inspection of the Property by authorized City employees and allow sufficient inspection of financial information to insure that the Improvements are made and the threshold has been met according to the specifications and conditions of this Agreement. Such inspections shall be done in a way that will not interfere with Grantee's business operations or violate any laws, including any rules or regulations promulgated by the Securities and Exchange Commission or the New York Stock Exchange. The City shall, on an annual basis, evaluate the Project to ensure compliance with this Agreement. Grantee shall provide information to the City on a Certificate of Compliance form provided by the City as Exhibit "C" for the evaluation. The information shall include, without limitation, an inventory listing the kind, number, and location of and the estimated total investment value of all improvements to the property, including the value of all buildings and other structures and permanent improvements installed, renovated, repaired or located on the Property.

V. FAILURE TO MEET CONDITIONS

In the event (i) Grantee or the owner of the Property allow their ad valorem real property taxes owed to the City with respect to the Property or Building, or ad valorem taxes owed to the City with respect to any tangible personal property owned or controlled by the Grantee and which are located on the Property to become delinquent and fails to timely and properly follow the legal procedures for protest and/or contest of any such ad valorem real property or tangible personal property taxes; or, (ii) any other material conditions of this Agreement are not substantially met, including the Grant Conditions, then a "Condition Failure" shall be deemed to have occurred. It is understood that a Condition Failure shall not be deemed to occur merely because at a particular time it cannot be determined whether such condition will be met, but shall occur only if at a particular time it can be determined that such condition has not been met after notice and reasonable opportunity for Grantee to cure such failure. In the event that a Condition Failure occurs, the City shall give Grantee written notice of such Condition Failure and if the Condition Failure has not been cured or satisfied within ninety (90) days of said written notice, this Agreement may be terminated by the City; provided, however, that if such Condition Failure is not reasonably susceptible of cure or satisfaction within such ninety (90) day period and Grantee has commenced and is pursuing the cure or satisfaction of same, then after first advising the City of efforts to cure or satisfy same, Grantee may utilize such additional time as may be reasonably required to cure such Condition Failure. If a Condition Failure is not cured or satisfied after the expiration of the applicable notice and cure or satisfaction periods ("Condition Failure Default"), as City's sole and exclusive remedy, the Annual Payment shall be terminated with respect to the year in which notice of the Condition Failure is given and for all future years.

Provided, however, that prior to the expiration of the said applicable notice and cure periods, the City, in its sole reasonable discretion, may review the cause of such failure and may determine whether an extension of the said time period(s) shall be granted. In the event the City determines that an extension of the said time period(s) is appropriate, the City may grant such additional time as it, in its sole discretion, deems appropriate.

VI.
ASSIGNMENT

This Agreement and Grantee's rights and obligations hereunder may not be assigned without prior notice to the City, unless such notice is prohibited by contract or applicable law in which case notice shall be provided as soon as allowable. In the event that Grantee ceases to operate its business on the Property, this Agreement shall terminate and all future obligations of the City, as set forth herein, shall terminate and be of no further force and effect.

VII.
NOTICE

All notices called for or required by this Agreement shall be addressed to the following, or such other party or address as either party designated in writing, by certified mail postage prepaid or by hand delivery:

SALLY BEAUTY HOLDINGS, INC.:
Paul Myrick
Vice President, Real Estate
Sally Beauty Holdings
3001 Colorado Blvd.
Denton, TX 76210

Matt Haltom
Senior Vice President, General Counsel and Secretary
Sally Beauty Holdings
3001 Colorado Blvd.
Denton, TX 76210

CITY:
City Manager
City of Denton
215 E. McKinney
Denton, Texas 76201

VIII.
CITY COUNCIL AUTHORIZATION

This Agreement is authorized by the City Council at its meeting on the 1 day of November, 2016, authorizing the City Manager to execute this Agreement on behalf of the City.

IX.
AUTHORIZATION

Grantee represents that it has the corporate right, power and authority necessary to execute, deliver, and perform its obligations under this Agreement and to consummate the transactions contemplated hereby. The execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated herein have been duly and validly authorized by all necessary corporate and member action. Evidence of such right, power and authority shall be attached as Exhibit "D".

X.
SEVERABILITY

In the event any section, subsection, paragraph, sentence, or phrase is held invalid, illegal or unconstitutional, 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, illegal or unconstitutional provision.

XI.
ESTOPPEL CERTIFICATE

Any party hereto may request an estoppel certificate from another party hereto so long as the certificate is requested in connection with a bona fide business purpose. The certificate shall include, but not necessarily be limited to, statements that this Agreement is in full force and effect without default (or if default exists the nature of default and curative action, which should be undertaken to cure same), the remaining term of this Agreement, the levels and remaining term of the Annual Payments in effect, and such other matters reasonably requested by the party(ies) to receive the certificates.

XII.
STANDING

Grantee, as a party to this Agreement, shall be deemed a proper and necessary party in any litigation questioning or challenging the validity of this Agreement or any of the underlying ordinances, resolutions, or City Council actions authorizing same and Grantee shall be entitled to intervene in said litigation.

XIII.
APPLICABLE LAW

This Agreement shall be construed under the laws of the State of Texas. Venue for any action under this Agreement shall be the appropriate court serving Denton County, Texas. This Agreement is fully performable in Denton County, Texas.

XIV.
FORCE MAJEURE

If, because of flood, fire, explosions, civil disturbances, strikes, war, acts of God, or other causes beyond the control of either party, either party is not able to perform any or all of its obligations under this Agreement, then the respective party's obligations hereunder shall be suspended during such period but for no longer than such period of time when the party is unable to perform

XV.
INDEMNIFICATION

No joint venture. Nothing contained in this Agreement is intended by the parties to create a partnership or joint venture between the parties, and any implication to the contrary is hereby disavowed. It is understood and agreed that this Agreement does not create a joint enterprise, nor does it appoint either party as an agent of the other for any purpose whatsoever. Except as otherwise specifically provided herein, neither party shall in any way assume any of the liability of the other for acts of the other or obligations of the other. Further, this Agreement does not cause or support any type of Joint Employment in any ways between the parties. The City, its past and future officers, elected officials, employees, and agents expressly do not assume any responsibilities or liabilities to any third party in connection with the project or the design, construction, or operation of any portion of the Improvements.

XVI.
AMENDMENT


This Agreement is the entire agreement of the parties and may only be modified by a written instrument executed by both parties.

XVII.
EFFECTIVE DATE

This Agreement is effective as of the 1 day of November, 2016.

CITY OF DENTON, TEXAS

ATTEST:

BY: 
JENNIFER WALTERS
CITY SECRETARY

BY: 
HOWARD MARTIN
INTERIM CITY MANAGER

APPROVED AS TO FORM:
ANITA BURGESS, CITY ATTORNEY

BY: [Signature]

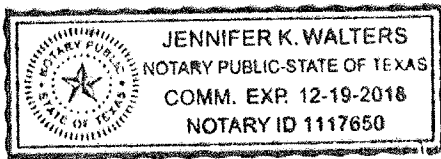
SALLY BEAUTY SUPPLY LLC

BY: [Signature]
MATTHEW HALTOM
SENIOR VICE PRESIDENT, GENERAL
COUNSEL AND SECRETARY

ACKNOWLEDGMENTS

STATE OF TEXAS }
COUNTY OF DENTON }

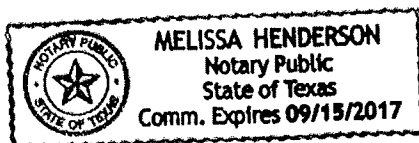
The foregoing Economic Development Agreement was executed before me on the 18th day of November, 2016 by Howard Martin, Interim City Manager of the City of Denton, Texas, a Texas municipal corporation, on behalf of said Municipal Corporation.



[Signature]
Name: _____
Notary Public in and for the
State of Texas

STATE OF TEXAS }
COUNTY OF DENTON }

The foregoing Economic Development Program Agreement was executed before me on the 27th day of October, 2016 by Matthew Haltom, of Sally Beauty Supply, LLC, on behalf of said limited liability company.



[Signature]
Name: Melissa Henderson
Notary Public in and for the
State of Texas

Exhibit A
PROPERTY DESCRIPTION

Lots 1 and 6, in BLOCK 3, of GOLDEN TRIANGLE INDUSTRIAL PARK, PHASE V, an Addition to the City of Denton, Denton County, Texas, according to the Plat thereof recorded in Cabinet C, Page 87, Plat Records, Denton County, Texas.

(Commonly known as 3900 MORSE STREET)

The plat hereon is a true and accurate representation of the property as determined by survey made on the ground, the lines and dimensions of said property as being indicated on the Plat. The size, location and type of buildings and improvements are as shown, all improvements being within the boundaries of the property except as shown, set back from the property lines is as shown, and distance from the nearest street or road is as shown on the Plat. There are no visible encroachments, visible protrusions or apparent easements, except as shown on the Plat.

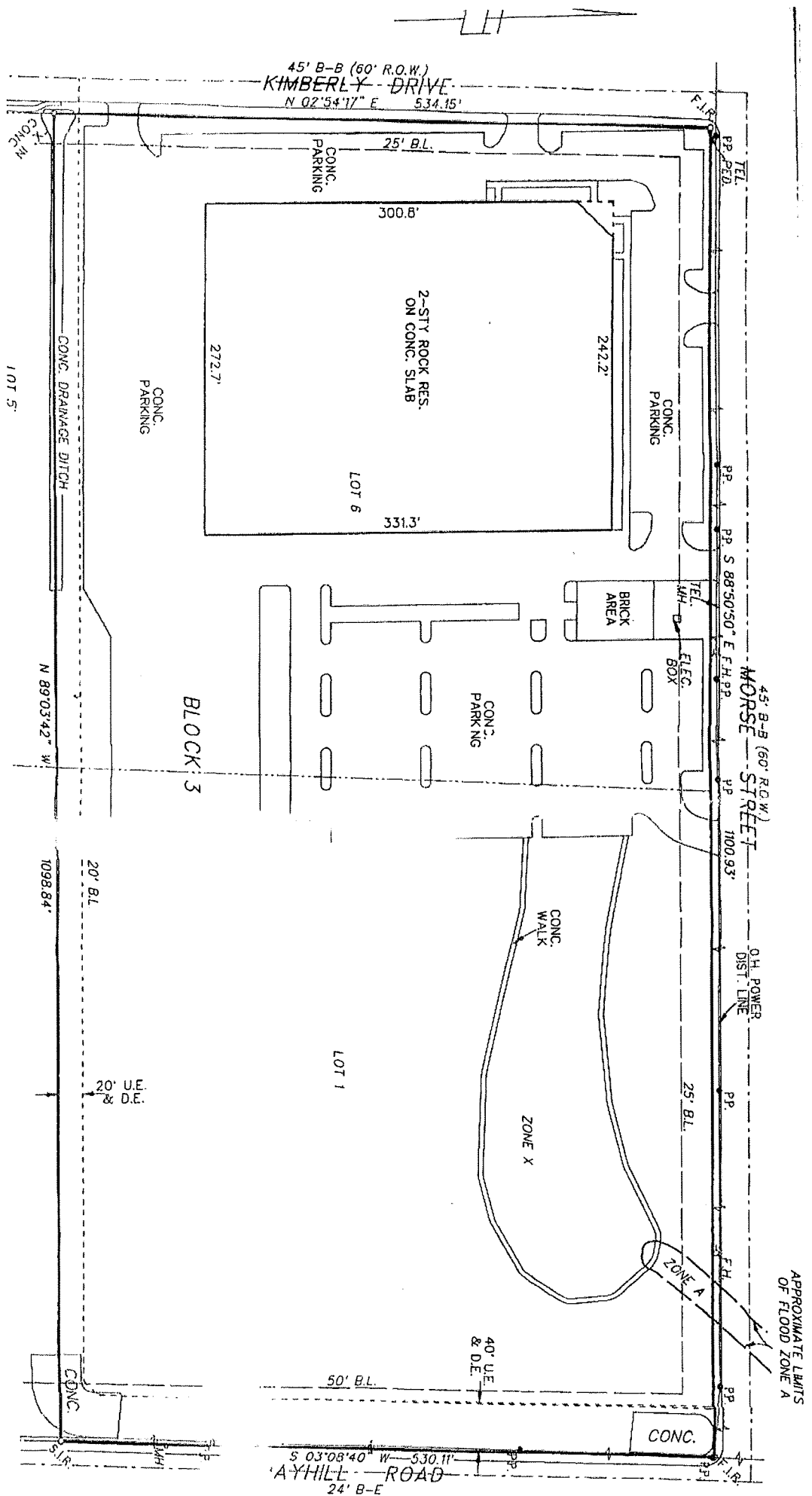
I further certify that only portion shown of subject property lies within a special flood hazard area according to the FLOOD INSURANCE RATE MAP for Denton County and Incorporated Areas, Map Number 48121C0380, Dated March 30, 1998. (Subject Property lies in Zone A and Zone X approximately as shown.)

JERALD D. YENSAN, REGISTERED
PROFESSIONAL LAND SURVEYOR

 **LANDMARK,
SURVEYORS, INC.**

**4238 I-35 NORTH
DENTON, TEXAS 76207
(940) 882-4016
FAX (940) 387-9784**

DRAWN BY: BTH SCALE: 1"=60' DATE: 06 SEPTEMBER, 2000 JOB NO: 0012533



Lots 1 and 6, in BLOCK 3, of GOLDEN TRIANGLE INDUSTRIAL PARK, PHASE V, an Addition to the City of Denton, Denton County, Texas, according to the Plat thereof recorded in Cabinet C, Page 87, Plat Records, Denton County, Texas.

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I further certify that only portion shown of subject property lies within a special flood hazard area according to the FLOOD INSURANCE RATE MAP for Denton County and Incorporated Areas, Map Number 48121C0380, Dated March 30, 1998. (Subject Property lies in Zone A and Zone X approximately as shown.)

JERALD D. YENSAN REGISTERED
PROFESSIONAL LAND SURVEYOR

 **LANDMARK
SURVEYORS, INC.**

**4238 I-35 NORTH
DENTON, TEXAS 76207
(940) 382-4016
FAX (940) 387-9784**

DRAWN BY: BTH SCALE: 1"=60' DATE: 06 SEPTEMBER, 2000 JOB NO: 0012533

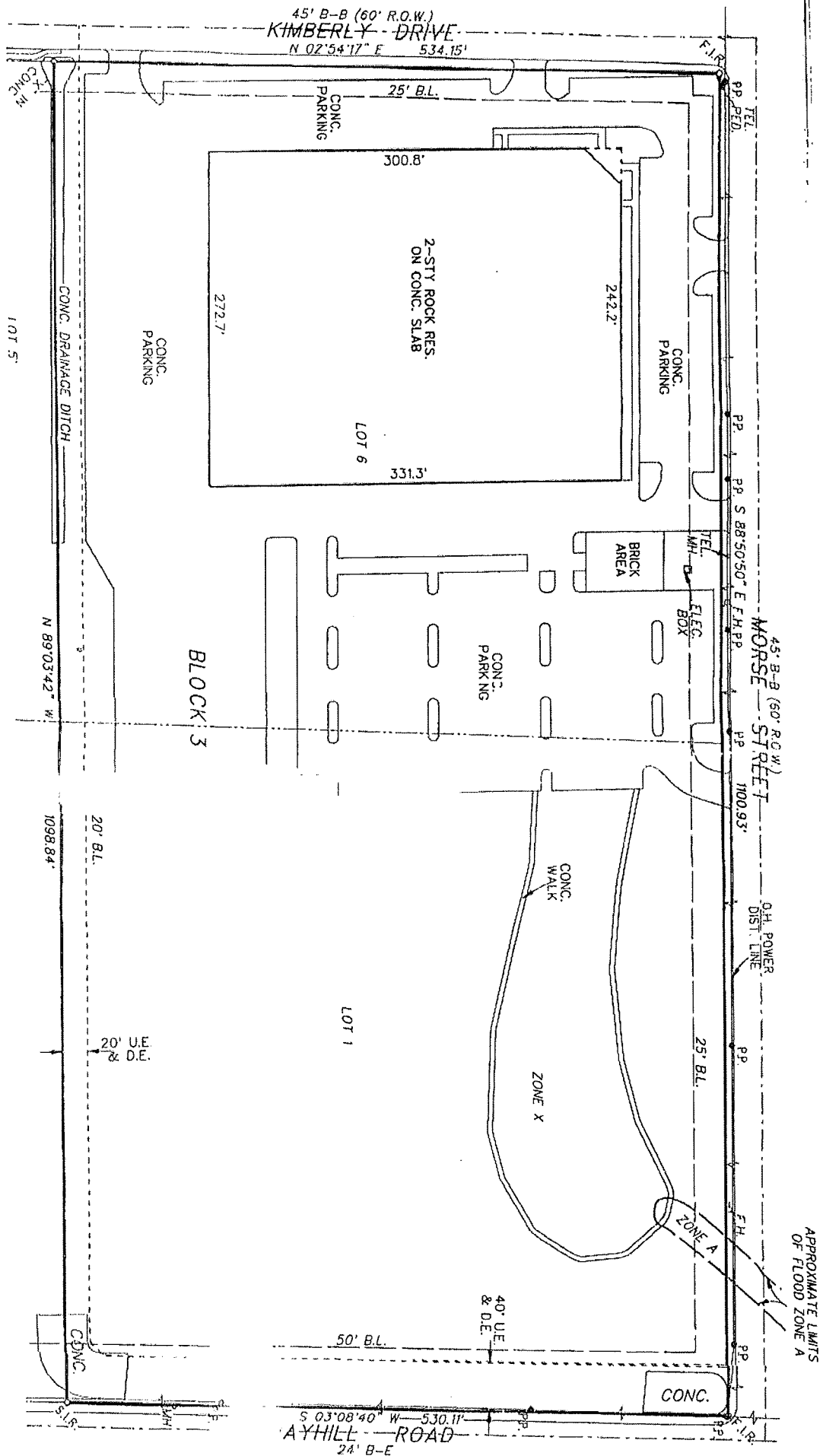


Exhibit B
APPLICATION FOR ECONOMIC DEVELOPMENT INCENTIVES

CITY OF DENTON TAX ABATEMENT AND INCENTIVE POLICY

I. GENERAL PURPOSE AND OBJECTIVES

The City of Denton (City) is committed to the promotion of high quality development in all parts of the city and to an ongoing improvement in the quality of life for its citizens. Insofar as these objectives are generally served by the enhancement and expansion of the local economy, the City will, on a case-by-case basis, give consideration to providing tax abatement or other incentive as a stimulus for economic development in Denton. It is the policy of the City that said consideration will be provided in accordance with the procedures and criteria outlined in this document. Nothing herein shall imply or suggest that the City is under any obligation to provide an incentive to any applicant.

All applicants shall be considered on a case-by-case basis. Incentives will not be considered if construction of a project already has begun.

Tax abatements, as described in this Policy, will be available for businesses wanting to locate, expand or modernize, existing or new facilities and structures, including, without limitation, basic industries, corporate office headquarters or distribution centers, except as this Policy may be limited for property described in Section 312.211(a) of the Texas Property Tax Code (Vernons Texas Civil Statutes Annotated, hereinafter referred to as "Tax Code.")

In addition to tax abatements, the City may provide alternative or additional incentives to businesses utilizing its authority under Chapter 380 of the Texas Local Government Code (hereinafter referred to as "Chapter 380.") Chapter 380 of the Texas Local Government Code states that a municipality may establish and provide for the administration of one or more programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality.

The City of Denton will consider, on a case-by-case basis, the use of grants and loans as incentives to accomplish one or more of the following economic development objectives:

- Development and diversification of the economy
- Elimination of unemployment or underemployment
- Expansion of transportation or commerce
- Attraction of major investment
- Expansion of primary employment
- Stimulation of agricultural innovation

The City of Denton may establish targeted incentive programs to accomplish one or more of the above objectives. Such programs could include, but are not limited to:

- Targeted industry cluster or supply chain recruitment initiatives
- Capital grants or loans for start-up and small businesses to promote entrepreneurship
- Special incentive programs within certain boundaries of the City in order to promote infill redevelopment and attract businesses that meet pre-determined desirable criteria
- Grants to offset costs associated with public infrastructure improvements and/or impact fees
- Cash incentives to gain a competitive position when in direct competition for a project

II. ECONOMIC DEVELOPMENT PARTNERSHIP BOARD

Requests for tax abatement or other incentives shall be reviewed by the Economic Development Partnership (EDP) board, on a case-by-case basis unless otherwise directed by City Council, the EDP board being comprised of two City Council members, two Chamber of Commerce board members, two representatives from the top twenty taxpayers, one representative from the University of North Texas, one member with aviation experience, and one member at-large.

The EDP board serves as a recommending body to the City Council regarding whether economic development incentives should be offered in each individual case. Its recommendation shall be based upon an evaluation of information submitted in the incentive application and any additional information requested by the EDP board or presented to the EDP board. The Incentive Application shall be substantially in the form of Exhibit A of this Policy. All meetings of the EDP board shall be held in compliance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code.

III. VALUE OF INCENTIVES

The criteria outlined in the Application will be used by the EDP board in determining whether or not it is in the best interests of the City to recommend that incentives be offered to a particular project. Specific considerations will include the degree to which the individual project furthers the goals and objectives of the community as described in the Denton Comprehensive Plan, as well as the relative impact on growth, employment, expansion of the tax base, economic development and human health and the environment.

Tax Abatements

New, expanding and modernizing businesses may be considered for a tax abatement if the minimum threshold, as described in Table 1 below, is met. Once a determination has been made that a project is eligible for a tax abatement, the following table will serve as a basis for determining amount and term of abatement:

TABLE 1: Establishes a framework for considering the length and percentage of abatement according to assessed property value of improvements and of tangible personal property located on the real property.

VALUE OF STRUCTURE AND PERSONAL PROPERTY IN MILLION DOLLARS	YEARS OF ABATEMENT	PERCENTAGE OF ABATEMENT
100	10	25%
80	9	25%
65	8	25%
50	7	25%
35	6	25%
20	5	25%
15	4	25%
10	3	25%
5	2	25%

To qualify, companies must meet the minimum threshold of the Policy in the first 24 months from the execution of the agreement or as specified in the tax abatement agreement.

If upon initial application a project qualifies for tax abatement under the guidelines set forth in this Policy, the City may consider granting an additional 5% abatement for each one of the following factors provided, however, that the total tax abatement does not exceed 50% annually or continue for a period of more than ten years. No applicant may receive credit for more than five of the following factors:

- The project will occupy a building that has been vacant for at least two years;
- The project will create high-skilled, high-paying jobs as documented by the applicant; (A breakdown of number of jobs per job classification and entry level wage per classification will be used to determine eligibility);
- The project will involve a significant relationship with one of the two universities in Denton;
- At least 25% of the new jobs created by the project will be filled by Denton residents;
- A minimum of 25% of local contractors and local subcontractors will be utilized during construction of the project;
- The project will provide knowledge-based jobs (at least 25 percent of jobs require college bachelors degree at entry level);
- The project will donate significant public art to the community. (To qualify, donation must be approved by Greater Denton Arts Council and City Council);
- The project will donate significant materials/equipment to the public schools (to qualify, donation must be approved by DISD and City Council);
- The project will create improvements to the Denton Downtown Implementation Plan area;
- The project will result in the formation of a business park;
- The project is an international or national headquarters facility.
- The project is a medical manufacturing or research facility.
- The project incorporates significant environmentally sustainable practices that includes: Leadership in Energy and Environmental Design (LEED) certification, recycling initiatives, the manufacture of sustainable materials or products that support sustainable industries, or the incorporation of clean technology.

- Renewable Energy will be generated, stored or utilized for the project on an ongoing basis;
- The applicant is committed to actively supporting the Denton Community.

The total tax abatement may not exceed 50% annually for ten years. All abatements are subject to final approval of the City Council. **Even though a project may meet the criteria as set forth in this Policy, an application may be denied at the discretion of the City.** Tax abatement shall not apply to any portion of the land value of the project. The thresholds as described in Table 1 are considered guidelines for establishing the Tax Abatement Agreement terms. However, the City may determine that a lower or higher percentage and/or a shorter or longer term of abatement may be more appropriate for an individual project. If the abatement is approved, the City may consider applying all or a portion of the abatement in the first year or during any shorter period within the term of the tax abatement agreement. For example, an approved abatement of 25 percent for four years may be applied as 100 percent abatement for one year.

When the City of Denton determines that incentives are required to retain existing businesses, which propose to improve or redevelop property within the City limits, the Denton City Council may consider these “special projects” on a case-by-case basis and reserve the right to waive the minimum threshold and/or exceed fifty percent (50%) in tax abatement. The City of Denton may also take into consideration as “special projects” the expansion/redevelopment of existing businesses that create new or additional professional jobs. New or existing businesses that incorporate environmentally sustainable practices or have a renewable energy component may also be considered “special projects.” Abatement hereunder will only apply to the increased valuation of the improvements over the appraised value of the property prior to such improvements as same is established by the Denton Central Appraisal District the year in which the tax abatement agreement is executed. The City may also consider other tax incentives authorized by law.

Chapter 380 Incentives

At times when alternative incentives may be preferable to a tax abatement, the City Council has the authority under Chapter 380 to create a custom incentive in order to accomplish specific economic development goals. Chapter 380 incentives will be considered on a case-by-case basis, and may be considered for one or more of the following criteria:

- A certain number of net new jobs with wages above Denton’s median household income
- The relocation of a company that promotes the growth of targeted industry clusters such as high-tech companies, aviation/aerospace industry, or supply chain clusters that support Denton’s existing primary employers
- Incentives for businesses that cause infill redevelopment or other desirable development objectives
- Any other activity which the City Council determines meets a specific public purpose for economic development

Definitions:

Local contractors and local sub-contractors refers to vendors that have their “principal office or place of business,” as reported to the Texas Secretary of State Office, located within Denton City Limits or

Extraterritorial Jurisdiction (ETJ). The minimum requirement of 25%, to be eligible under this consideration, will be based on the estimated construction valuation of the project.

Knowledge-based jobs are defined as occupations which:

- Require specialized and theoretical knowledge, usually acquired through a college education or through work experience or other training which provides comparable knowledge;
- Require some research, analysis, report writing and presentations;
- Require special licensing, certification, or registration to perform the job task;

A **Business Park** is defined as a multi-building, multi-tenant, master planned complex of approximately one million square feet or more under roof, constructed to house manufacturing, distribution, assembly, and office facilities.

Leadership in Energy and Environmental Design (LEED) certification is a voluntary internationally recognized green building certification system, with verification by a third-party that a building or community was designed and built using strategies aimed at improving performance across the following metrics:

- energy savings
- water efficiency
- CO₂ emissions reduction
- improved indoor environmental quality
- stewardship of resources.

The certification levels consist of the following: Basic, Silver, Gold and Platinum and are weighted on a 100 point system. The LEED system measures: innovation in design; sustainable sites; water efficiency; energy and atmosphere; materials and resources; indoor environmental quality; and locations and linkages.

The manufacture of sustainable materials or products may include but is not limited to: biobased, recyclable and reclaimed goods. Denton is located in an air quality nonattainment region designated by the Environmental Protection Agency for air pollution levels that continually exceed national standards. Products and equipment that support sustainable industries or clean technologies that reduce environmental pollution are encouraged and may qualify for consideration under this section. Community support and involvement may include but is not limited to monetary or active investment in local non profits, public institutions or community organizations. Membership and participation in a Denton chamber of commerce is an example that may qualify under this consideration. The EDP board will consider criteria proposed by the applicant, review and make a recommendation on the eligibility of the applicant's community support and recommend whether an additional five percent should be added to the overall incentive percentage.

When the City determines that abandoned property may require additional incentives to promote economic development that generally satisfies the requirements of this Policy, the City may waive the minimum threshold and/or exceed fifty percent (50%) in tax abatement, or consider other tax incentives for special projects to redevelop abandoned buildings consistent with existing law. For the purpose of this Policy, an abandoned building is defined as a building that has been identified as being suitable for commercial or industrial development, has been vacant for a minimum of five-years or has substantially declined in appraised value. Abatement would only be considered on the increased valuation of the improvements in each year covered by the tax abatement agreement over the value of the property for

the year in which the tax abatement agreement is executed. The City may also consider other tax incentives authorized by law.

Preliminary Application

IV. PROCEDURAL GUIDELINES

Any person, organization or corporation desiring that the City consider providing incentives to encourage location or expansion of facilities within the limits of the jurisdictions shall be required to comply with the following procedural guidelines. **Nothing within these guidelines shall imply or suggest that the City is under any obligation to provide an incentive to any applicant.**

- A. Applicant shall complete the attached "Incentive Application."
- B. Applicant shall prepare a map or other documents providing the following:
 - precise location of the property and all roadways within 500 feet of the site
 - existing uses and conditions of real property
 - proposed improvements and uses
 - any proposed changes in zoning
 - compatibility with the Denton Comprehensive Plan and applicable building codes and City ordinances.
 - A complete legal description.
- C. Applicant shall complete all forms and information detailed in the Application and submit all information to the City Manager (or his/her designee), City of Denton, 215 E. McKinney, Denton, TX 76201.
- D. All information in the application package detailed above will be reviewed for completeness and accuracy. Additional information may be requested as needed.
- E. The application will be distributed to the appropriate City departments for internal review and comments. Additional information may be requested as needed.
- F. Copies of the complete application package and staff comments will be provided to the EDP board.
- G. Fiscal agents of the City will review the application for comments and recommendation. Additional information may be requested as needed.

Consideration of the Application

- H. The EDP board will consider the application at a regular or special-called meeting(s). Additional information may be requested as needed.

- I. The recommendation of the EDP board will be forwarded, with all relevant materials, to the City Council.
- J. If the City Council decides to grant a tax abatement, it shall call a public hearing to consider establishment of a tax reinvestment zone in accordance with Section 312.201 of the Tax Code. The reinvestment zone must meet one or more of the criteria of Section 312.202 of the Tax Code.
- K. The City Council may consider adoption of an ordinance designating the area described in the legal description of the proposed project as a commercial/industrial tax abatement zone.
- L. The City Council may consider adoption of an ordinance or resolution approving the terms and conditions of a contract between the City and the applicant governing the provision of the tax abatement or incentive and the commitments of the applicant, including all the terms required by Section 312.205 of the Tax Code and such other terms and conditions as the City Council may require. Should the commitments subsequently not be satisfied, the tax abatement or other incentive shall be null and void (unless the tax abatement agreement provides for a recapture of the property tax revenue lost proportionate to a partial failure to meet the minimum thresholds set forth in the agreement) and all abated taxes or other incentive shall be paid immediately to the City of Denton. Provisions to this effect shall be incorporated into the agreement.
- N. The City reserves the authority to enter into tax abatement agreements at differing percentages and/or terms as set forth in the guidelines of this Policy, consistent with the requirements of the Tax Code. The City also reserves the authority to enter into incentive agreements under Chapter 380 of the Texas Local Government Code.

Any incentive agreement will address various issues, including but not limited to, the following:

- 1. General description of the project
- 2. Amount of the tax abatement and percent of value to be abated each year
- 3. Method of calculating the value of the abatement
- 4. Duration of the abatement, including commencement date and termination date
- 5. Legal description of the property
- 6. Kind, number, location and timetable of planned improvements
- 7. Specific terms and conditions to be met by applicant
- 8. The proposed use of the facility and nature of construction
- 9. Contractual obligations in the event of default, violation of terms or conditions, delinquent taxes, recapture, any decrease in valuation, administration and assignment

Annual Evaluation

Upon completion of construction and/or other threshold criteria, the City Council shall receive from the City Manager (or his/her designee) an annual evaluation of each incentive to insure compliance with the agreement and to report possible violations of the agreement to the appropriate taxing entities. After new tax base numbers are received in July of each year, the City Manager and his staff will have ninety (90) days to review and prepare a breakdown of those figures.

Local Businesses and Historically Underutilized Businesses

Businesses receiving an incentive are asked to use diligent efforts to purchase all goods and services from Denton businesses whenever such goods and services are comparable in availability, quality and price.

The City of Denton also encourages the use, if applicable, of qualified contractors, subcontractors and suppliers who are historically underutilized businesses based on information provided by the General Services Commission pursuant to Chapter 2161 of the Government Code. In the selection of subcontractors, suppliers or other persons or organizations proposed for work on this Agreement, the OWNERS agree to consider this Policy and to use their reasonable and best efforts to select and employ such companies and persons for work on this Agreement.

Job Recruiting from Low-Moderate Income Census Tracts

Businesses receiving incentives are asked to endeavor to make available, or endeavor to cause lessees or assignees to make available, full-time or part-time employment with on-the-job training for Denton citizens. In this effort, the business, lessee or assignee is encouraged to recruit from the low-moderate income Census tracts as further defined by the U.S. Department of Housing and Urban Development's (HUD) Qualified Census Tracts (QCT) map shown in Figure 1. HUD defines QCTs as "census tracts in which one-half or more of the households have incomes below 60 percent of the area median income or the poverty rate is 25 percent of [or] higher.

FIGURE 1: DENTON, TEXAS
2010-2011 Qualified Census Tracts

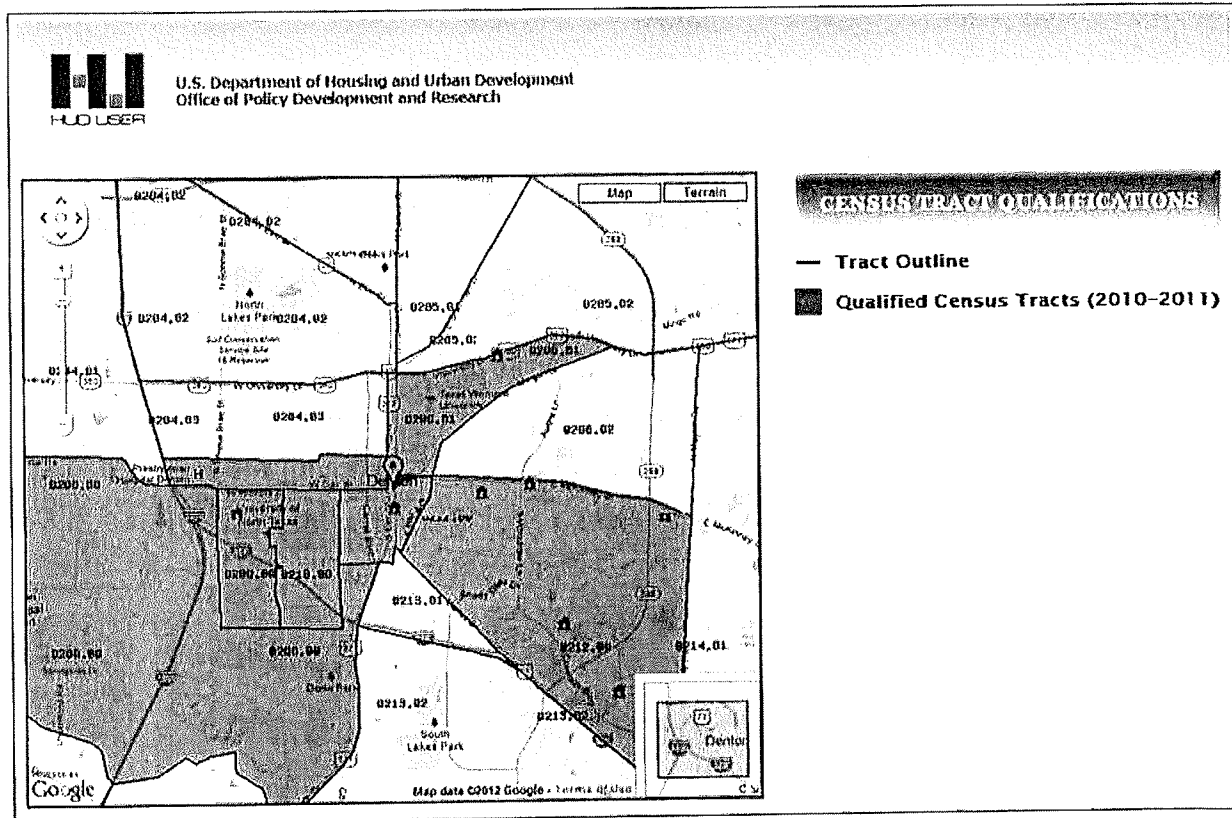


EXHIBIT A

The City of Denton Incentive Application

About the Application...

The Incentive Application provides the City with specific information on the project. The information requested in the Application is designed to address the criteria developed within the City of Denton's Incentive Policy. The information serves as the basis for fiscal analysis and overall project evaluation. This evaluation is provided to the Economic Development Partnership (EDP) board and Council Members and serves as a source document during EDP board and City Council deliberations.

The Application and the Agreement...

Specific information from the Application (such as value of new investment and employment commitments) is incorporated into the Incentive Agreement. In fact, the Application is an attachment to the Agreement. Since the Agreement is a binding contract, it is important that each question on the application be answered in full and as realistically as possible. Simply put, the application is part of the process from start to finish so you'll want to make sure you're comfortable with the contents.

When Is The Application Final?

The answer to this question is very simple: When you tell us, "It's final." It is not uncommon for a business entity to submit numerous Applications as drafts for informational and evaluative purposes only. As conversations continue, the business entity will submit a finalized version of the Application that includes all of the commitments agreed to during the discussions.

What about Confidentiality?

Section 312.003 of the Texas Tax Code makes confidential information provided to the City as a part of this application that describes the specific processes or business activities to be conducted or the equipment or other property to be located on the property. This information is not subject to public disclosure until the incentive agreement is executed. Section 522.131 of the Texas Government Code (Texas Public Information Act) makes confidential information which relates to economic development negotiations between the City and a business prospect that the City seeks to have locate, stay or expand in or near the territory of the City. The information must relate to a trade secret of the business prospect, commercial or financial information which the business prospect can demonstrate based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained or information about a financial or other incentive being offered to the business prospect by the City or by another person. Information about a financial or other incentive being offered to the business prospect is required to be disclosed when an agreement is made with a business prospect. The City is subject to disclosing most records and documents upon request under the Public Information Act. **Accordingly, please clearly indicate and mark any information you consider proprietary.**

This would include anything in your application which you consider a trade secret, commercial or financial information which you can demonstrate by specific factual evidence that would cause substantial competitive harm if disclosed, information which describes the specific processes or business activities to be conducted or the equipment or other property for which the incentive is sought, any financial or other incentive you may be seeking from the City or any other information you deem to be confidential under the law.

Who is Authorized To Sign the Application?

Because the Application itself is non-binding, the person signing need not be the property owner or even an individual duly authorized to sign on behalf of the property owner. However, if an Agreement is reached, the Application will be an attachment to the Agreement and its contents will be binding through the authorized signature required on the Agreement.

EXHIBIT A



City of Denton Incentive Application

City of Denton
Department of Development Services, Economic Development Division
215 E. McKinney St.
Denton, Texas 76201
(940) 349-7776
(940) 349-8596 FAX
www.cityofdenton.com
Caroline.Booth@cityofdenton.com

INCENTIVE APPLICATION CITY OF DENTON, TEXAS

1.

Property Owner	Sally Beauty Holdings		
Company or Project Name	Sally Beauty Holdings - World Headquarters		
Mailing Address	3001 Colorado Blvd		
	Denton, TX 76210		
Telephone	940/898-7500	Fax No.	
Website	www.sallybeautyholdings.com		
Contact Name	Paul Myrick		
Title	VP Real Estate		
Mailing Address	same as above		
Telephone	940/297-4499	Fax No.	940/381-9022
Email Address	pmyrick@sallybeauty.com		
2. Provide a chronology of plant openings, closing and relocations over the past 15 years.

Developed and moved into the above stated HQ office facility in 2005, continued to own and now use former building at 3900 Morse Street.

The corporation operates approx 5,000 store locations world-wide as a leading speciality retailer and distributor of professional beauty supplies with revenues of \$3.8 billion annually. Open between 100-150 new stores annually and operate over ten (10) distribution centers.
3. Provide a record of mergers and financial restructuring during the past 15 years.

Continue to acquire smaller operations and companies to grow our overall presence and network, however, all corporate functions are supported from the offices location in Denton.
4. Will the occupants of the project be owner or lessee? If lessee, are occupancy commitments already existing?

Sally Beauty Holdings will continue to own and occupy the building (3900 Morse Street) as well as 3001 Colorado Blvd both here in Denton.
5. Is the project a relocation of existing facility or a new facility to expand operations? If relocation, give current location.

The project is a complete interior remodel of the existing facility at 3900 Morse Street to continue to increase our employee base.
6. If an existing Denton business, will project result in abandonment of existing facility? If so, the value of the existing facility will be subtracted from the value of the new facility to arrive at total project value.

No abandonment is a part of this remodel plan. We will only continue to grow our employee base here now totalling approx 1,000 employees in both facilities as well as managing 27,000 employees worldwide.

7. Property Description.

- Attach a copy of the legal description detailing property's metes and bounds. See attached
- Attach map of project including all roadways, land use and zoning within 500 feet of site. See attached

8. Current Value. Attach copy of latest property tax statement from the Denton County Central Appraisal District Include both real (land and improvements) and personal property). See attached

9. Increased Value/Estimated Total Cost of Project.

Structures	\$ 4,428,000.00	Site Development	\$ 94,000.00
Personal Property	\$ 2,600,000.00	Other Improvements	\$ 368,000.00

10. Indicate percent of tax abatement and number of years requested.

Percent Requested	Years Requested
-------------------	-----------------

List any other financial incentives this project will request/receive None

Estimated Freeport Exemption	\$
Estimated Electric Utility Industrial Development Rider	\$
Estimated Water/Wastewater Infrastructure Assistance	\$
Chapter 380 Incentive	

11. Give a brief description of the activities to be performed at this location, including a description of products to be produced and/or services to be provided.

The project is a complete remodel of the interior office portion of the building at 3900 Morse Street. The scope of the project includes, new windows, flooring, walls, ceiling, interior lights, cafe/dining area, breakrooms, furniture, data and phone cabling, lobby, HVAC ducting system, roof repairs, HVAC unit repairs, electrical switch replacement/upgrade, restroom upgrades, as well as later improvements to the parking lot, landscaping and over time will continue to convert the warehouse portion of the structure to office use.

12. Describe any off-site infrastructure requirements:

• Water None

• Wastewater None

- Streets None

- Drainage None

- Other None

13. Project Operation Phase. Provide employment information for the number of years incentive is requested.

Employment Information	Existing Operation (if applicable)	At Project Start Date (mo/yr) ____/____	At Term of Incentive
A. Total number of permanent, full-time jobs	200	Feb 2016	150
B. Employees transferred from outside Denton	50	Feb 2017	250
C. Net permanent full-time jobs (A. minus B.)	150		350
E. Total annual payroll for all permanent, full-time jobs (A.)	\$6.5M		\$12.8M

- F. Types of jobs created. List the job titles and number of positions in each category that will be employed at the facility. Provide average wage for each category.

Accounts Receivable / Credit & Collections / Customer Service Inside sales / Ecommerce / Web Content Departments with additional accounting and finance departments added in 2016-2017- 85 customer service Reps - 32 Credit & Collection Reps - 8 Supervisors - 6 Dept Managers - 4 Area Directors with additional roles being added within 2016-2017 - at the completion of the remodel project there should be approximately 400 full time positions in the facility. The base salary ranges for these positions is \$27k to \$150k depending on position

- G. Indicate the number of shifts the project will operate

Standard business hours for most positions - 7am to 6pm generally

H. Estimate annual utility usage for project:

Electric	\$173,673	kWh	Water	Sewer & Water \$18,857	gpd
Wastewater		gpd	Gas	\$17,873	mcf

14. Describe any other direct benefits to the City of Denton as a result of this project (e.g., sales tax revenue or project elements identified in Tax Abatement Policy, Section III). NA

15. Is property zoned appropriately? ☒ Yes ☐ No
- Current zoning. EC-I (Employment Center Industrial)
- Zoning required for proposed project. current use remains
- Anticipated variances. none

16. Is property platted? ☒ Yes ☐ No
- Will replatting be necessary Yes ☒ No

17. Discuss any environmental impacts created by the project. None, use remains as is

A. List any permits for which applicant must apply. Applicant will be required to provide City with copies of all applications for environmental permits upon completion of application(s).

Building permit and fire alarm / system permit

B. Provide record of compliance to all environmental regulations for the past five years.

N/A

18. Provide specific detail of any businesses/residents that will be displaced and assistance that will be available from the requesting company.

N/A

19. Provide description of any historically significant area included within the project's area as determined by the Historic preservation Officer. If any, give detail of how the historically significant area will be preserved.

N/A

20. Justification for Incentive Request: Substantiate and more fully describe the justification for this request. Include the amount of the incentive requested and show how it will contribute to the financial viability of the project. Submit attachments if necessary.

Sally Beauty has been based in Denton since 1982 when we had 119 stores, today we have over 5,000 stores world-wide. We have approximately 1,000 full time employees based in Denton and are in the top 7 private employers in the City. We are supporters of The Children's Advocacy Center, American Heart Association Go Red for Women, Adopt a Child through Hope, Denton Food Bank, national supporter of United Way and for the past 5 years the presenting partner for the North TX Susan G Komen Race for the Cure. We are additionally a Founding Member of UNT Global Digital Retailing Research Center as well as hold a seat on the Denton Chamber of Commerce as well as the Women in Commerce that supports women owned business in Denton County.

21. List additional abatement factors to be considered for this project as outlined on pages 3 and 4 of the Incentive Policy.

	Occupies building vacant for at least 2 years		Donation of materials to public schools
	Project creates high-skilled, high-paying jobs		Improvements to Downtown
✓	Significant relationship with universities		Project forms business park
✓	25% of new jobs filled by Denton residents	✓	International or national headquarters
	25% local contractors to be utilized		Medical manufacturing or research facility
✓	25% of jobs are knowledge-based		Environmentally sustainable practices used
	Donation of significant public art		Renewable Energy generated/stored/utilized
✓	Community support and involvement: Attach description of community involvement		

22. Financial Information: Attach a copy of the latest audited financial statement or, in the case of a new project, a business plan.

23. Does the project have an eligible environmentally sustainable or renewable energy component (if so, please identify type and provide a brief description)?

installing LED lights throughout the office portion of the building

24. Applicants seeking LEED certification must complete the Green Building Application for Tax Abatement (Exhibit B of the policy). N/A

**COMPLETE THIS SECTION IF REQUESTING ADDITIONAL INCENTIVE
BASED ON LEED CERTIFICATION CONSTRUCTION**

1.	<div>Property Owner</div> <hr/> <div>Company or Project Name</div> <hr/> <div>Mailing Address</div> <hr/> <hr/> <div> <div>Telephone</div> <div>Fax No.</div> </div> <hr/> <div>Website</div> <hr/> <hr/> <div>Contact Name</div> <hr/> <div>Title</div> <hr/> <div>Mailing Address</div> <hr/> <hr/> <div> <div>Telephone</div> <div>Fax No.</div> </div> <hr/> <div>Email Address</div> <hr/> <hr/>
2.	<div>Project location address:</div> <hr/> <hr/> <hr/>
3.	<div>Provide documentation that the project has been registered with the U.S. Green Building Council.</div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div> <hr/>
4.	<div>Provide a description of the project (please include the building size, number of occupants and estimated budget).</div> <hr/> <hr/> <hr/> <hr/> <hr/>
6.	<div>Attach a preliminary Leadership in Energy and Environmental Design (LEED) Scorecard illustrating how project will achieve the LEED certification.</div> <hr/> <div>Level of Certification:</div> <hr/> <div>Number of Points:</div> <hr/> <hr/>

This Incentive Application is submitted with the acknowledgement that additional information may be required.

Authorized Signature

Date: _____

Exhibit C
CERTIFICATE OF COMPLIANCE

**CITY OF DENTON
CERTIFICATE OF COMPLIANCE**

Company: Sally Beauty Supply, LLC	Reporting Year: January 1 - December 31, 201__
Contract Year No. ____ of 3	

I. Investment

1.1 Section I.A.1. of the Chapter 380 Agreement requires the capital investment to generate a minimum of assessed real and business personal property valuation in the amount of \$22,000,000 in valuation for the 3900 Morse Street and 3001 Colorado properties_____.

- a. The grantees tenants have invested \$_____ in real and business personal property associated with the project at the 3900 Morse Street location, as reflected in the City of Denton Incentive Application, for the reporting year thereafter ending December 31, 20_____.
- b. The grantee has supplied documentation of the investment, in the form of receipts, invoices, checks or other documents deemed acceptable by the City of Denton, in real and business personal property associated with the project at the 3900 Morse Street location.
- c. The increase in assessed valuation for the year ending December 31, 20_____ over the valuation of the January 1, 2016 base year valuation is:
_____.

II. Additional Covenants

2.1 Section G. of the Chapter 380 Agreement requires the Company to occupy the Improvements and maintain their operations continuously for the Agreement's term. Did the Company comply with the occupancy requirement of Section G. of the Agreement during the year ending December 31, 20_____?

☐ YES ☐ NO

2.3 Did the Company timely submit this Certificate of Compliance as required under Section IVA. of the Chapter 380 Agreement during the year ending December 31, 20_____?

☐ YES ☐ NO

2.4 Did the Company comply with the other provisions of the Agreement during the year ending December 31, 20_____?

☐ YES

☐ NO

III. Payment

3.1 The Chapter 380 Agreement provides annual payments for the 3900 Morse Street property for up to 3 years based on conditions being met. For years one through three, the Agreement provides for annual rebates equal to 50 percent of the increase above the base year of the City's ad valorem taxes received for the previous year, excluding the value of land, inventory or vehicles.

3.2 The City property taxes paid for January 1, 20____ valuation are:

3900 Morse

Real Property _____

Business Personal Property _____

3001 Colorado

Real Property _____

Business Personal Property _____

3.3 Please attach the most recent Property Tax Notices.

I, the authorized representative for Sally Beauty Supply, LLC, hereby certify that the above information is correct and accurate pursuant to the terms of the Agreement. I further certify that the Company has fully complied with the Chapter 380 Agreement during the year ending December 31, 20____, including compliance with the City of Denton Code of Ordinances, Texas Department of Public Safety Regulations, and other applicable federal, state, or local law.

SALLY BEAUTY SUPPLY, LLC

Signature: _____

Printed Name: _____

Title: _____

Date: _____

Exhibit D
AUTHORIZATION

SALLY BEAUTY SUPPLY LLC
UNANIMOUS WRITTEN CONSENT
OF THE SOLE MEMBER
IN LIEU OF ANNUAL MEETING

as of August 2, 2016

Pursuant to the provisions of Section 18-302(d) of the Delaware Limited Liability Company Act, the undersigned, being the sole member (the "Member") of Sally Beauty Supply LLC, a Delaware limited liability company (the "Company"), hereby waives notice of meeting and consents to the taking of each action set forth below as if an actual meeting had been held on the date hereof and instructs the Secretary of the Company to file this written consent in the minute book of the Company. The following actions shall constitute the valid action of the Member and shall have the same force and effect as if such actions had been authorized and taken at a formal meeting duly convened and held on the above date.

WHEREAS, the Company owns the building and real property located at 3900 Morse Street, Denton, Texas (the "Property"); and

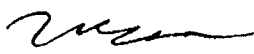
WHEREAS, the Member considers it to be in the best interest of the Company to enter to into an Economic Development Program Grant Agreement with the City of Denton, a Texas municipal corporation (the "City of Denton"), effective as of August 2, 2016, for the purposes and consideration stated therein with respect to the development of said Property, as detailed on the attached Exhibit A (the "Agreement").

NOW, THEREFORE, BE IT RESOLVED, that the Agreement and any ancillary documents related to the Agreement, hereby are, approved for all purposes; and be it further

RESOLVED, that the officers and Members be, and each of them hereby is, authorized to do or cause to be done, any and all acts and to execute and deliver any and all agreements, undertakings, consents, documents, and certificates as in their opinion, or in the opinion of counsel to the Company, may be necessary, appropriate, or desirable to carry out the terms and intent of the foregoing resolutions, including, but not limited to, the execution of the Agreement by Christian A. Brickman, the Chief Executive Officer of the Company.

IN WITNESS WHEREOF, the undersigned has subscribed his name on behalf of the Members of the Company, as of the date first written above, in attestation to the accuracy of the foregoing written consents and of his approval of all actions taken as recited therein.

SALLY HOLDINGS LLC,
a Delaware limited liability company

By: 
Matthew O. Haltom, Senior Vice President, General
Counsel and Secretary

**ECONOMIC DEVELOPMENT PROGRAM GRANT AGREEMENT
WITH SALLY BEAUTY SUPPLY LLC**

This Economic Development Program Grant Agreement ("Agreement") is made and entered into as of the effective date provided for below, by SALLY BEAUTY SUPPLY LLC (the "Grantee"), a Delaware corporation, and the CITY OF DENTON (the "City"), a Texas municipal corporation, for the purposes and considerations stated below:

WHEREAS, this Agreement is authorized by and made pursuant to the economic development program provisions of Chapter 380 of the Texas Local Government Code (the "Act") to promote local economic development and to stimulate business and commercial activity in the City of Denton; and

WHEREAS, Grantee is contemplating the development of that certain real property located at 3900 Morse Street, Denton, Texas and as more particularly described in Exhibit A attached hereto and made a part hereof by reference (the "Property"); and

WHEREAS, Grantee desires to complete an interior remodel of the Property to improve the existing facility within the City to employ at least 250 people, creating approximately 80 new or relocated jobs on or before March 2017 with an average annual wage of \$51,800 as described herein and an estimated Capital Investment of approximately \$7.5 Million ("Project"); and

WHEREAS, on the 8th day of December, 2015, Grantee submitted an application for economic development incentives with various attachments to the City concerning the contemplated use and development of the Property, which is on file in the City's Office of Economic Development, a copy of which is attached hereto and made a part hereof by reference as Exhibit B (the "Application for Economic Development Incentives"); and

WHEREAS, on the 9th day of March, 2016, the Economic Development Partnership Board ("EDP board") reviewed the Grantee's Application for Economic Development Incentives in accordance with the City of Denton's Tax Abatement and Incentive Policy, and the EDP board found that the Project meets the qualifications for a tax incentive and recommended approval of the incentive as outlined herein unanimously (8-0); and

WHEREAS, the City Council finds that the contemplated use and development of the Property, the proposed improvements provided for herein, and the other terms and conditions of this Agreement will promote economic development, increase employment, retain existing business, and will stimulate development activity within the City of Denton for the benefit of the public;

NOW, THEREFORE, the City and Grantee for and in consideration of the Property and the promises contained herein do hereby contract, covenant and agree as follows:

**I.
CONDITIONS OF THE GRANT**

A. In consideration of this Agreement, the retention of the Grantee's ongoing business and investment within the City of Denton, the planned improvements of an interior remodel

at the Property, the creation of new jobs within the City, and subject to the Grantee meeting all the terms and conditions of the Grant as set forth herein, the City hereby grants the following:

1. A Grant equal to 50% of City ad valorem taxes attributable to Improvements, as defined herein, resulting in an increase of assessed value, above the base year of January 1, 2016, solely from the Property located at 3900 Morse Street as determined by the Denton Central Appraisal District, of real property improvements to (excluding land value) and tangible personal property (excluding inventory, vehicles and supplies) located on the Property (the "Grant").
2. A condition of the Grant is that the combined assessed valuation of the real property Improvements (excluding land) and tangible personal property (excluding inventory, vehicles and supplies) on both the Property and the Sally Beauty headquarters facility located at 3001 Colorado, Denton, Texas (this does not include Sally Beauty retail stores) ("properties"), must be at least \$28,600,000 in assessed valuation, as determined by the Denton Central Appraisal District, of the properties, for a period of three years commencing the first year following receipt by Grantee of the new certificate of occupancy ("CO") for the Property, based on the Improvements completed after the base year of January 1, 2016. If the assessed value of these properties, as determined by the Denton Central Appraisal District, is less than \$28,600,000, there will be no Grant payment during that year.
2. A condition of the Grant is that throughout the Term of the Grant, beginning March 1, 2017, the Grantee shall employ a minimum threshold of 250 jobs before the end of 2017, including 80 new or relocated jobs, with a straight average annual wage of \$51,800 at the Property, exclusive of benefits. Should the Grantee employ less than the minimum threshold of 250 jobs before the end of 2017, or fail to provide a straight average annual wage of \$51,800, excluding benefits, the grant payment will be reduced by the percent decrease of the actual employment or the actual wage bears to the threshold set within this Agreement. For example, if the employment number equals 225, which is 10% less than the 250 jobs threshold, the Grant payment will be reduced by 10%. Or, if the average wage equals \$46,620, which is 10% less than the average wage threshold, the Grant payment will be reduced by 10%.

B. A condition of the Grant is that, by December 31, 2017 (subject to force majeure delays not to exceed 180 days), Grantee shall have made Improvements on or to the Property, which result in an increase in the assessed values, as determined by the Denton Central Appraisal District, as contemplated by Section I.A.1. However, prior to the expiration of the said 180 day period, the City, in its sole reasonable discretion, shall review the cause of such failure to make such improvements to determine whether an additional extension of the said time period should be granted. In the event the City determines that an additional extension of the 180 day period is appropriate, the City may grant such additional time for the making of improvements as it, in its sole reasonable discretion, deems appropriate. For the purposes of this paragraph, the term "force majeure" shall mean any circumstance or any condition beyond the control of Grantee, as set forth in Section XIV "Force Majeure" which prevents the above-mentioned thresholds or time restraints from being met.

C. The terms "Improvements" or "Contemplated Improvements" are defined as the construction, renovation, remodeling and equipping of the Property including but not limited to (1) costs related to the development and improvement of the real estate, including, without limitation, construction costs and design and engineering costs; (2) tangible personal property located on or at the Property owned or controlled by Grantee, excluding inventory and supplies.

The kind and location of the Contemplated Improvements is more particularly described in the Application for Economic Development Incentives.

D. A condition of the Grant is that the Contemplated Improvements be constructed and the Property be used substantially in accordance with the description of the project set forth in the Application for Economic Development Incentives.

E. A condition of the Grant is that throughout the term of the Grant, the Contemplated Improvements shall be operated and maintained for the purposes set forth herein so that the use of the Property shall be consistent with the general purpose of encouraging development or redevelopment of the City except as otherwise authorized or modified by this Agreement.

F. The City shall have the right to terminate the Grant if the Grantee does not occupy the Contemplated Improvements continuously (subject to force majeure) for the term of the Grant for the purposes set forth in the Application for Economic Development Incentives. In the event of such termination, the Grantee shall refund to the City fifty percent of Grant payments for the year in which Grantee ceases to occupy the Property, and Grant payments for future years shall be terminated.

G. The City and Grantee agree to comply with all the terms and conditions set forth in this Agreement.

II. GENERAL PROVISION

A. In the event of any conflict between the City zoning ordinances, or other City ordinances or regulations, and this Agreement, such ordinances or regulations shall control, provided however the City shall not diminish the benefits to the Grantee under this Agreement through ordinances or regulations (whether now or hereafter in effect).

III. ADDITIONAL TERMS AND CONDITIONS OF GRANT

A. Subject to the terms and conditions of this Agreement, the City hereby agrees to pay to Grantee, on an annual basis, after the first assessment following receipt by Grantee of the new certificate of occupancy for the Property, an amount equal to 50% of the difference between: (a) the then current City ad valorem taxes for the Property and the Improvements, minus, (b) City ad valorem taxes payable for the Property and improvements as of January 1, 2016, (with the resulting payments known as the "Annual Payments"), such Annual Payments to be subject to the terms and conditions provided in this Agreement.

B. Grantee shall have the right to protest and contest any or all appraisals or assessments by the Denton County Appraisal District for the Property, the Improvements or any other tangible personal property owned or controlled by Grantee and located on the Property. All calculations in this Agreement shall be based upon final assessed values after any such protest or contest.

C. The Annual Payments shall be for a term not to exceed three (3) years with the first

payment being due and payable on or before 60 days after the City is in receipt of all City ad valorem taxes due and payable for the Property and Improvements as of January 1st of the year following the calendar year in which a certificate of occupancy is issued by the City for the Property (the "Beginning Date"), and, unless sooner terminated as herein provided, shall end after the third Annual Payment. All subsequent Annual Payments shall be due and payable on or before 60 days after the City is in receipt of all ad valorem taxes due and payable for the Property and Improvements as of January 1 for the respective subsequent years.

D. Grantee shall comply with local taxes, fees, and permits directly affecting the City of Denton, such as local sales/use taxes, local permits, use of public easement, and their associated fees, subject to reasonable dispute by Grantee.

IV. RECORDS, AUDITS, AND EVALUATION OF PROJECT

A. Grantee shall provide access and authorize inspection of the Property by authorized City employees and allow sufficient inspection of financial information to insure that the Improvements are made and the threshold has been met according to the specifications and conditions of this Agreement. Such inspections shall be done in a way that will not interfere with Grantee's business operations or violate any laws, including any rules or regulations promulgated by the Securities and Exchange Commission or the New York Stock Exchange. The City shall, on an annual basis, evaluate the Project to ensure compliance with this Agreement. Grantee shall provide information to the City on a Certificate of Compliance form provided by the City as Exhibit C for the evaluation. The information shall include, without limitation, an inventory listing the kind, number, and location of and the estimated total investment value of all improvements to the property, including the value of all buildings and other structures and permanent improvements installed, renovated, repaired or located on the Property.

V. FAILURE TO MEET CONDITIONS

In the event (i) Grantee or the owner of the Property allow their ad valorem real property taxes owed to the City with respect to the Property or Building, or ad valorem taxes owed to the City with respect to any tangible personal property owned or controlled by the Grantee and which are located on the Property to become delinquent and fails to timely and properly follow the legal procedures for protest and/or contest of any such ad valorem real property or tangible personal property taxes; or, (ii) any other material conditions of this Agreement are not substantially met, including the Grant Conditions, then a "Condition Failure" shall be deemed to have occurred. It is understood that a Condition Failure shall not be deemed to occur merely because at a particular time it cannot be determined whether such condition will be met, but shall occur only if at a particular time it can be determined that such condition has not been met after notice and reasonable opportunity for Grantee to cure such failure. In the event that a Condition Failure occurs, the City shall give Grantee written notice of such Condition Failure and if the Condition Failure has not been cured or satisfied within ninety (90) days of said written notice, this Agreement may be terminated by the City; provided, however, that if such Condition Failure is not reasonably susceptible of cure or satisfaction within such ninety (90) day period and Grantee has commenced and is pursuing the cure or satisfaction of same, then after first advising the City of efforts to cure or satisfy same, Grantee may utilize such additional time as may be

reasonably required to cure such Condition Failure. If a Condition Failure is not cured or satisfied after the expiration of the applicable notice and cure or satisfaction periods ("Condition Failure Default"), as City's sole and exclusive remedy, the Annual Payment shall be terminated with respect to the year in which notice of the Condition Failure is given and for all future years. Provided, however, that prior to the expiration of the said applicable notice and cure periods, the City, in its sole reasonable discretion, may review the cause of such failure and may determine whether an extension of the said time period(s) shall be granted. In the event the City determines that an extension of the said time period(s) is appropriate, the City may grant such additional time as it, in its sole discretion, deems appropriate.

VI. ASSIGNMENT

This Agreement and Grantee's rights and obligations hereunder may not be assigned without prior notice to the City, unless such notice is prohibited by contract or applicable law in which case notice shall be provided as soon as allowable. In the event that Grantee ceases to operate its business on the Property, this Agreement shall terminate and all future obligations of the City, as set forth herein, shall terminate and be of no further force and effect.

VII. NOTICE

All notices called for or required by this Agreement shall be addressed to the following, or such other party or address as either party designated in writing, by certified mail postage prepaid or by hand delivery:

SALLY BEAUTY HOLDINGS, INC.: Paul Myrick
Vice President, Real Estate
Sally Beauty Holdings
3001 Colorado Blvd. Denton, TX 76210

Matt Haltom
Senior Vice President, General Counsel and Secretary
Sally Beauty Holdings
3001 Colorado Blvd. Denton, TX 76210

CITY:
City Manager
City of Denton
215 E. McKinney
Denton, Texas 76201

VIII. CITY COUNCIL AUTHORIZATION

This Agreement is authorized by the City Council at its meeting on the ____ day of ___, 2016, authorizing the Mayor to execute this Agreement on behalf of the City.

IX. AUTHORIZATION

Grantee represents that it has the corporate right, power and authority necessary to execute,

deliver, and perform its obligations under this Agreement and to consummate the transactions contemplated hereby. The execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated herein have been duly and validly authorized by all necessary corporate and member action. Evidence of such right, power and authority shall be attached as **Exhibit D.**

X.
SEVERABILITY

In the event any section, subsection, paragraph, sentence, or phrase is held invalid, illegal or unconstitutional, 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, illegal or unconstitutional provision.

XI.
ESTOPPEL CERTIFICATE

Any party hereto may request an estoppel certificate from another party hereto so long as the certificate is requested in connection with a bona fide business purpose. The certificate shall include, but not necessarily be limited to, statements that this Agreement is in full force and effect without default (or if default exists the nature of default and curative action, which should be undertaken to cure same), the remaining term of this Agreement, the levels and remaining term of the Annual Payments in effect, and such other matters reasonably requested by the party(ies) to receive the certificates.

XII. STANDING

Grantee, as a party to this Agreement, shall be deemed a proper and necessary party in any litigation questioning or challenging the validity of this Agreement or any of the underlying ordinances, resolutions, or City Council actions authorizing same and Grantee shall be entitled to intervene in said litigation.

XIII.
APPLICABLE LAW

This Agreement shall be construed under the laws of the State of Texas. Venue for any action under this Agreement shall be the appropriate court serving Denton County, Texas. This Agreement is fully performable in Denton County, Texas.

XIV.
FORCE MAJEURE

If, because of flood, fire, explosions, civil disturbances, strikes, war, acts of God, or other causes beyond the control of either party, either party is not able to perform any or all of its obligations under this Agreement, then the respective party's obligations hereunder shall be suspended during such period but for no longer than such period of time when the party is unable to perform

XV.
INDEMNIFICATION

NO JOINT VENTURE. NOTHING CONTAINED IN THIS AGREEMENT IS INTENDED BY THE PARTIES TO CREATE A PARTNERSHIP OR JOINT VENTURE BETWEEN THE PARTIES, AND ANY IMPLICATION TO THE CONTRARY IS HEREBY EXPRESSLY DISAVOWED. IT IS UNDERSTOOD AND AGREED THAT THIS AGREEMENT DOES NOT CREATE A JOINT ENTERPRISE, NOR DOES IT APPOINT EITHER PARTY AS AN AGENT OF THE OTHER FOR ANY PURPOSE WHATSOEVER. EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED HEREIN, NEITHER PARTY SHALL IN ANY WAY ASSUME ANY OF THE LIABILITY OF THE OTHER FOR ACTS OF THE OTHER OR OBLIGATIONS OF THE OTHER. FURTHER, THIS AGREEMENT DOES NOT CAUSE OR SUPPORT ANY TYPE OF JOINT EMPLOYMENT IN ANY WAY BETWEEN THE PARTIES. THE CITY, ITS PAST AND FUTURE OFFICERS, ELECTED OFFICIALS, EMPLOYEES, AND AGENTS EXPRESSLY DO NOT ASSUME ANY RESPONSIBILITIES OR LIABILITIES TO ANY THIRD PARTY IN CONNECTION WITH THE PROJECT OR THE DESIGN, CONSTRUCTION, OR OPERATION OF ANY PORTION OF THE IMPROVEMENTS.

XVI. AMENDMENT

This Agreement is the entire agreement of the parties and may only be modified by a written instrument executed by both parties.

XVII.
EFFECTIVE DATE

This Agreement is effective as of the ____ day of _____, 2016.

CITY OF DENTON, TEXAS

BY: -

CHRIS WATTS
MAYOR


ATTEST:
JENNIFER WALTERS, CITY SECRETARY

BY:_____

APPROVED AS TO FORM:
ANITA BURGESS, CITY ATTORNEY

BY: _____

SALLY BEAUTY SUPPLY LLC

BY: 
MATTHEW HALTOM
SENIOR VICE PRESIDENT, GENERAL
COUNSEL AND SECRETARY

ACKNOWLEDGMENTS

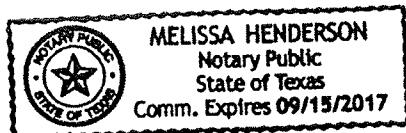
STATE OF TEXAS }
COUNTY OF DENTON }

The foregoing Economic Development Agreement was executed before me on the ____ day of _____, 2016 by Howard Martin, Interim City Manager of the City of Denton, Texas, a Texas municipal corporation, on behalf of said Municipal Corporation.

Name:
Notary Public in and for the
State of Texas

STATE OF TEXAS }
COUNTY OF DENTON }

The foregoing Economic Development Program Agreement was executed before me on the 21st day of October, 2016 by Matthew Haltom, of Sally Beauty Supply, LLC, on behalf of said limited liability company.



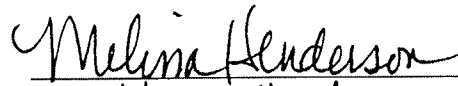

Name: Melissa Henderson
Notary Public in and for the
State of Texas

EXHIBIT A
PROPERTY DESCRIPTION

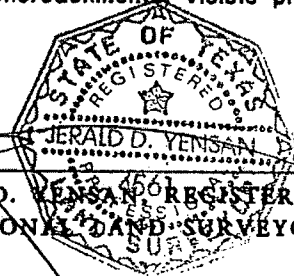
Lots 1 and 6, in BLOCK 3, of GOLDEN TRIANGLE INDUSTRIAL PARK, PHASE V, an Addition to the City of Denton, Denton County, Texas, according to the Plat thereof recorded in Cabinet C, Page 87, Plat Records, Denton County, Texas.

(Commonly known as 3900 MORSE STREET)

The plat hereon is a true and accurate representation of the property as determined by survey made on the ground, the lines and dimensions of said property as being indicated on the Plat. The size, location and type of buildings and improvements are as shown, all improvements being within the boundaries of the property except as shown, set back from the property lines is as shown, and distance from the nearest street or road is as shown on the Plat. There are no visible encroachments, visible protrusions or apparent easements, except as shown on the Plat.

I further certify that only portion shown of subject property lies within a special flood hazard area according to the FLOOD INSURANCE RATE MAP for Denton County and Incorporated Areas, Map Number 48121C0380, Dated March 30, 1998. (Subject Property lies in Zone A and Zone X approximately as shown.)

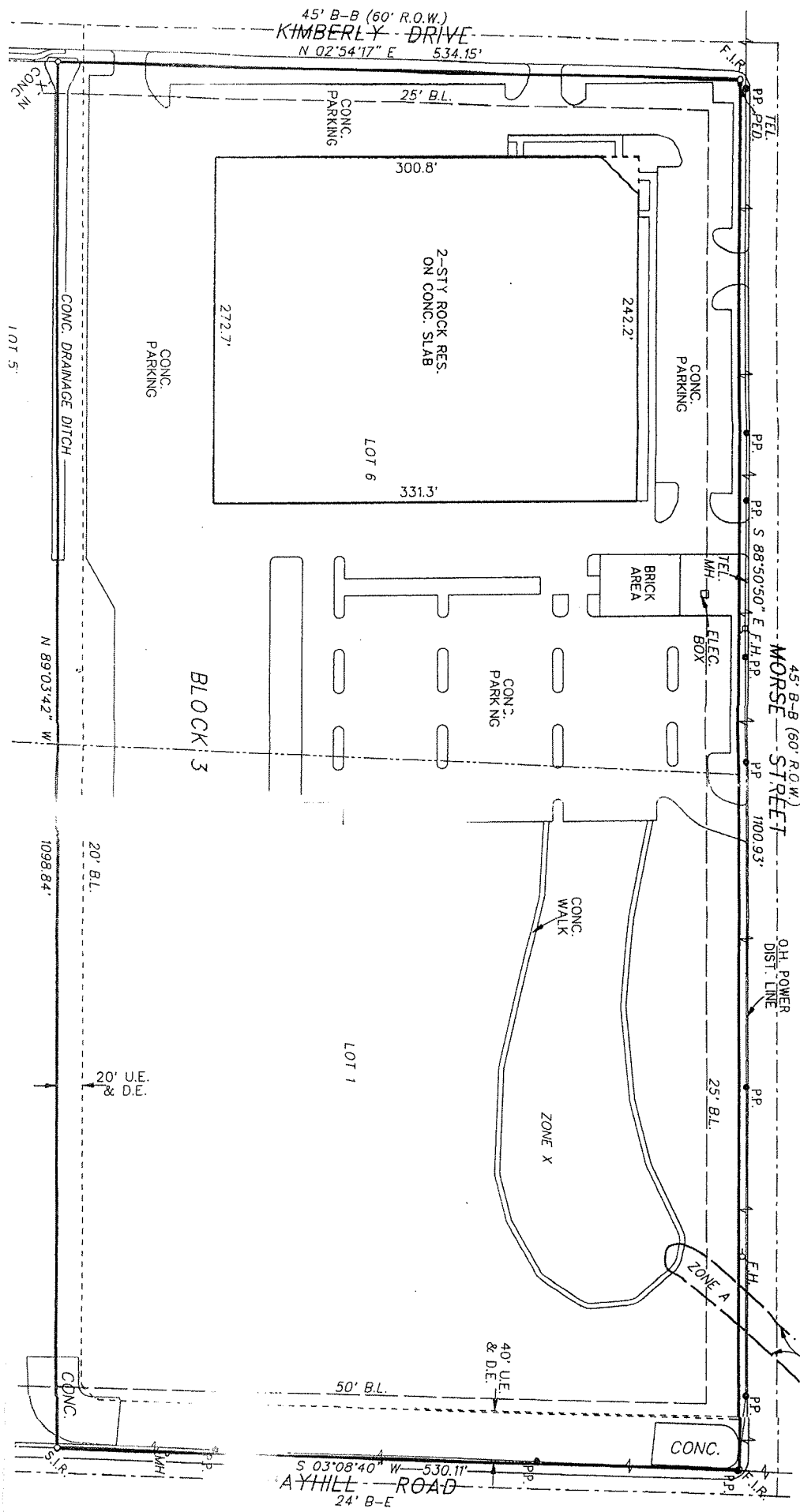
JERALD D. YENSAN, REGISTERED
PROFESSIONAL LAND SURVEYOR



 **LANDMARK
SURVEYORS, INC.**

**4238 I-35 NORTH
DENTON, TEXAS 76207
(940) 382-4016
FAX (940) 387-9784**

DRAWN BY: BTH SCALE: 1"=60' DATE: 06 SEPTEMBER, 2000 JOB NO: 0012533



Lots 1 and 6, in BLOCK 3, of GOLDEN TRIANGLE INDUSTRIAL PARK, PHASE V, an Addition to the City of Denton, Denton County, Texas, according to the Plat thereof recorded in Cabinet C, Page 87, Plat Records, Denton County, Texas.

(Commonly known as 3900 MORSE STREET)

The plat hereon is a true and accurate representation of the property as determined by survey made on the ground, the lines and dimensions of said property as being indicated on the Plat. The size, location and type of buildings and improvements are as shown, all improvements being within the boundaries of the property except as shown, set back from the property lines is as shown, and distance from the nearest street or road is as shown on the Plat. There are no visible encroachments, visible protrusions or apparent easements, except as shown on the Plat.

I further certify that only portion shown of subject

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according to the FLOOD INSURANCE RATE MAP


for Denton County and Incorporated Areas, Map

Number 48121C0380, Dated March 30, 1998. (Subject

Property lies in Zone A and Zone X approximately as shown.)

JERALD D. YENSAN, REGISTERED
PROFESSIONAL LAND SURVEYOR



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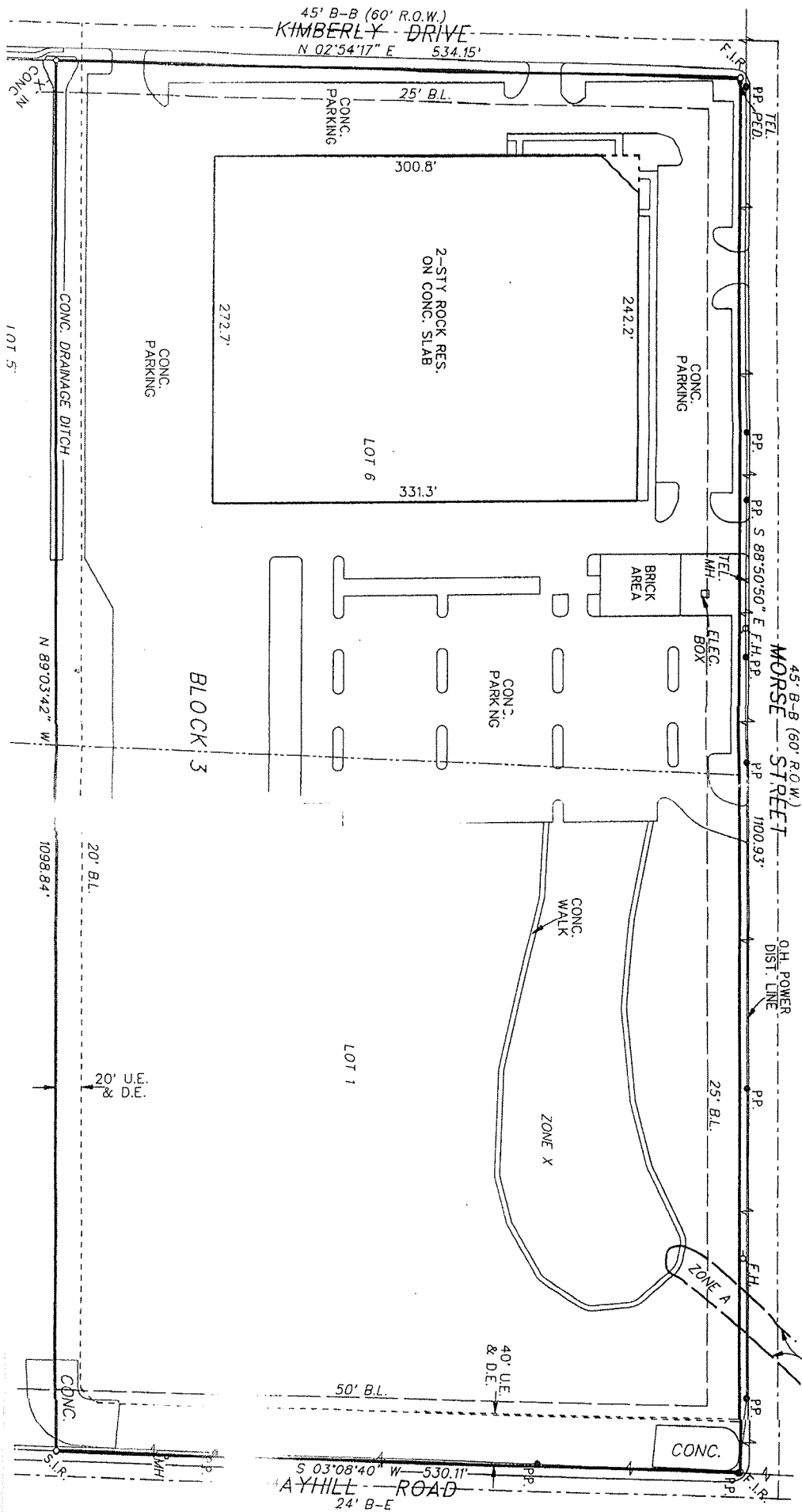


EXHIBIT B
APPLICATION FOR ECONOMIC DEVELOPMENT INCENTIVES

CITY OF DENTON TAX ABATEMENT AND INCENTIVE POLICY

I. GENERAL PURPOSE AND OBJECTIVES

The City of Denton (City) is committed to the promotion of high quality development in all parts of the city and to an ongoing improvement in the quality of life for its citizens. Insofar as these objectives are generally served by the enhancement and expansion of the local economy, the City will, on a case-by-case basis, give consideration to providing tax abatement or other incentive as a stimulus for economic development in Denton. It is the policy of the City that said consideration will be provided in accordance with the procedures and criteria outlined in this document. Nothing herein shall imply or suggest that the City is under any obligation to provide an incentive to any applicant.

All applicants shall be considered on a case-by-case basis. Incentives will not be considered if construction of a project already has begun.

Tax abatements, as described in this Policy, will be available for businesses wanting to locate, expand or modernize, existing or new facilities and structures, including, without limitation, basic industries, corporate office headquarters or distribution centers, except as this Policy may be limited for property described in Section 312.211(a) of the Texas Property Tax Code (Vernons Texas Civil Statutes Annotated, hereinafter referred to as "Tax Code.")

In addition to tax abatements, the City may provide alternative or additional incentives to businesses utilizing its authority under Chapter 380 of the Texas Local Government Code (hereinafter referred to as "Chapter 380.") Chapter 380 of the Texas Local Government Code states that a municipality may establish and provide for the administration of one or more programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality.

The City of Denton will consider, on a case-by-case basis, the use of grants and loans as incentives to accomplish one or more of the following economic development objectives:

- Development and diversification of the economy
- Elimination of unemployment or underemployment
- Expansion of transportation or commerce
- Attraction of major investment
- Expansion of primary employment
- Stimulation of agricultural innovation

The City of Denton may establish targeted incentive programs to accomplish one or more of the above objectives. Such programs could include, but are not limited to:

- Targeted industry cluster or supply chain recruitment initiatives
- Capital grants or loans for start-up and small businesses to promote entrepreneurship
- Special incentive programs within certain boundaries of the City in order to promote infill redevelopment and attract businesses that meet pre-determined desirable criteria
- Grants to offset costs associated with public infrastructure improvements and/or impact fees
- Cash incentives to gain a competitive position when in direct competition for a project

II. ECONOMIC DEVELOPMENT PARTNERSHIP BOARD

Requests for tax abatement or other incentives shall be reviewed by the Economic Development Partnership (EDP) board, on a case-by-case basis unless otherwise directed by City Council, the EDP board being comprised of two City Council members, two Chamber of Commerce board members, two representatives from the top twenty taxpayers, one representative from the University of North Texas, one member with aviation experience, and one member at-large.

The EDP board serves as a recommending body to the City Council regarding whether economic development incentives should be offered in each individual case. Its recommendation shall be based upon an evaluation of information submitted in the incentive application and any additional information requested by the EDP board or presented to the EDP board. The Incentive Application shall be substantially in the form of Exhibit A of this Policy. All meetings of the EDP board shall be held in compliance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code.

III. VALUE OF INCENTIVES

The criteria outlined in the Application will be used by the EDP board in determining whether or not it is in the best interests of the City to recommend that incentives be offered to a particular project. Specific considerations will include the degree to which the individual project furthers the goals and objectives of the community as described in the Denton Comprehensive Plan, as well as the relative impact on growth, employment, expansion of the tax base, economic development and human health and the environment.

Tax Abatements

New, expanding and modernizing businesses may be considered for a tax abatement if the minimum threshold, as described in Table 1 below, is met. Once a determination has been made that a project is eligible for a tax abatement, the following table will serve as a basis for determining amount and term of abatement:

TABLE 1: Establishes a framework for considering the length and percentage of abatement according to assessed property value of improvements and of tangible personal property located on the real property.

VALUE OF STRUCTURE AND PERSONAL PROPERTY IN MILLION DOLLARS	YEARS OF ABATEMENT	PERCENTAGE OF ABATEMENT
100	10	25%
80	9	25%
65	8	25%
50	7	25%
35	6	25%
20	5	25%
15	4	25%
10	3	25%
5	2	25%

To qualify, companies must meet the minimum threshold of the Policy in the first 24 months from the execution of the agreement or as specified in the tax abatement agreement.

If upon initial application a project qualifies for tax abatement under the guidelines set forth in this Policy, the City may consider granting an additional 5% abatement for each one of the following factors provided, however, that the total tax abatement does not exceed 50% annually or continue for a period of more than ten years. No applicant may receive credit for more than five of the following factors:

- The project will occupy a building that has been vacant for at least two years;
- The project will create high-skilled, high-paying jobs as documented by the applicant; (A breakdown of number of jobs per job classification and entry level wage per classification will be used to determine eligibility);
- The project will involve a significant relationship with one of the two universities in Denton;
- At least 25% of the new jobs created by the project will be filled by Denton residents;
- A minimum of 25% of local contractors and local subcontractors will be utilized during construction of the project;
- The project will provide knowledge-based jobs (at least 25 percent of jobs require college bachelors degree at entry level);
- The project will donate significant public art to the community. (To qualify, donation must be approved by Greater Denton Arts Council and City Council);
- The project will donate significant materials/equipment to the public schools (to qualify, donation must be approved by DISD and City Council);
- The project will create improvements to the Denton Downtown Implementation Plan area;
- The project will result in the formation of a business park;
- The project is an international or national headquarters facility.
- The project is a medical manufacturing or research facility.
- The project incorporates significant environmentally sustainable practices that includes: Leadership in Energy and Environmental Design (LEED) certification, recycling initiatives, the manufacture of sustainable materials or products that support sustainable industries, or the incorporation of clean technology.

- Renewable Energy will be generated, stored or utilized for the project on an ongoing basis;
- The applicant is committed to actively supporting the Denton Community.

The total tax abatement may not exceed 50% annually for ten years. All abatements are subject to final approval of the City Council. **Even though a project may meet the criteria as set forth in this Policy, an application may be denied at the discretion of the City.** Tax abatement shall not apply to any portion of the land value of the project. The thresholds as described in Table 1 are considered guidelines for establishing the Tax Abatement Agreement terms. However, the City may determine that a lower or higher percentage and/or a shorter or longer term of abatement may be more appropriate for an individual project. If the abatement is approved, the City may consider applying all or a portion of the abatement in the first year or during any shorter period within the term of the tax abatement agreement. For example, an approved abatement of 25 percent for four years may be applied as 100 percent abatement for one year.

When the City of Denton determines that incentives are required to retain existing businesses, which propose to improve or redevelop property within the City limits, the Denton City Council may consider these “special projects” on a case-by-case basis and reserve the right to waive the minimum threshold and/or exceed fifty percent (50%) in tax abatement. The City of Denton may also take into consideration as “special projects” the expansion/redevelopment of existing businesses that create new or additional professional jobs. New or existing businesses that incorporate environmentally sustainable practices or have a renewable energy component may also be considered “special projects.” Abatement hereunder will only apply to the increased valuation of the improvements over the appraised value of the property prior to such improvements as same is established by the Denton Central Appraisal District the year in which the tax abatement agreement is executed. The City may also consider other tax incentives authorized by law.

Chapter 380 Incentives

At times when alternative incentives may be preferable to a tax abatement, the City Council has the authority under Chapter 380 to create a custom incentive in order to accomplish specific economic development goals. Chapter 380 incentives will be considered on a case-by-case basis, and may be considered for one or more of the following criteria:

- A certain number of net new jobs with wages above Denton’s median household income
- The relocation of a company that promotes the growth of targeted industry clusters such as high-tech companies, aviation/aerospace industry, or supply chain clusters that support Denton’s existing primary employers
- Incentives for businesses that cause infill redevelopment or other desirable development objectives
- Any other activity which the City Council determines meets a specific public purpose for economic development

Definitions:

Local contractors and local sub-contractors refers to vendors that have their “principal office or place of business,” as reported to the Texas Secretary of State Office, located within Denton City Limits or

Extraterritorial Jurisdiction (ETJ). The minimum requirement of 25%, to be eligible under this consideration, will be based on the estimated construction valuation of the project.

Knowledge-based jobs are defined as occupations which:

- Require specialized and theoretical knowledge, usually acquired through a college education or through work experience or other training which provides comparable knowledge;
- Require some research, analysis, report writing and presentations;
- Require special licensing, certification, or registration to perform the job task;

A **Business Park** is defined as a multi-building, multi-tenant, master planned complex of approximately one million square feet or more under roof, constructed to house manufacturing, distribution, assembly, and office facilities.

Leadership in Energy and Environmental Design (LEED) certification is a voluntary internationally recognized green building certification system, with verification by a third-party that a building or community was designed and built using strategies aimed at improving performance across the following metrics:

- energy savings
- water efficiency
- CO₂ emissions reduction
- improved indoor environmental quality
- stewardship of resources.

The certification levels consist of the following: Basic, Silver, Gold and Platinum and are weighted on a 100 point system. The LEED system measures: innovation in design; sustainable sites; water efficiency; energy and atmosphere; materials and resources; indoor environmental quality; and locations and linkages.

The manufacture of sustainable materials or products may include but is not limited to: biobased, recyclable and reclaimed goods. Denton is located in an air quality nonattainment region designated by the Environmental Protection Agency for air pollution levels that continually exceed national standards. Products and equipment that support sustainable industries or clean technologies that reduce environmental pollution are encouraged and may qualify for consideration under this section. Community support and involvement may include but is not limited to monetary or active investment in local non profits, public institutions or community organizations. Membership and participation in a Denton chamber of commerce is an example that may qualify under this consideration. The EDP board will consider criteria proposed by the applicant, review and make a recommendation on the eligibility of the applicant's community support and recommend whether an additional five percent should be added to the overall incentive percentage.

When the City determines that abandoned property may require additional incentives to promote economic development that generally satisfies the requirements of this Policy, the City may waive the minimum threshold and/or exceed fifty percent (50%) in tax abatement, or consider other tax incentives for special projects to redevelop abandoned buildings consistent with existing law. For the purpose of this Policy, an abandoned building is defined as a building that has been identified as being suitable for commercial or industrial development, has been vacant for a minimum of five-years or has substantially declined in appraised value. Abatement would only be considered on the increased valuation of the improvements in each year covered by the tax abatement agreement over the value of the property for

the year in which the tax abatement agreement is executed. The City may also consider other tax incentives authorized by law.

Preliminary Application

IV. PROCEDURAL GUIDELINES

Any person, organization or corporation desiring that the City consider providing incentives to encourage location or expansion of facilities within the limits of the jurisdictions shall be required to comply with the following procedural guidelines. **Nothing within these guidelines shall imply or suggest that the City is under any obligation to provide an incentive to any applicant.**

- A. Applicant shall complete the attached "Incentive Application."
- B. Applicant shall prepare a map or other documents providing the following:
 - precise location of the property and all roadways within 500 feet of the site
 - existing uses and conditions of real property
 - proposed improvements and uses
 - any proposed changes in zoning
 - compatibility with the Denton Comprehensive Plan and applicable building codes and City ordinances.
 - A complete legal description.
- C. Applicant shall complete all forms and information detailed in the Application and submit all information to the City Manager (or his/her designee), City of Denton, 215 E. McKinney, Denton, TX 76201.
- D. All information in the application package detailed above will be reviewed for completeness and accuracy. Additional information may be requested as needed.
- E. The application will be distributed to the appropriate City departments for internal review and comments. Additional information may be requested as needed.
- F. Copies of the complete application package and staff comments will be provided to the EDP board.
- G. Fiscal agents of the City will review the application for comments and recommendation. Additional information may be requested as needed.

Consideration of the Application

- H. The EDP board will consider the application at a regular or special-called meeting(s). Additional information may be requested as needed.

- I. The recommendation of the EDP board will be forwarded, with all relevant materials, to the City Council.
- J. If the City Council decides to grant a tax abatement, it shall call a public hearing to consider establishment of a tax reinvestment zone in accordance with Section 312.201 of the Tax Code. The reinvestment zone must meet one or more of the criteria of Section 312.202 of the Tax Code.
- K. The City Council may consider adoption of an ordinance designating the area described in the legal description of the proposed project as a commercial/industrial tax abatement zone.
- L. The City Council may consider adoption of an ordinance or resolution approving the terms and conditions of a contract between the City and the applicant governing the provision of the tax abatement or incentive and the commitments of the applicant, including all the terms required by Section 312.205 of the Tax Code and such other terms and conditions as the City Council may require. Should the commitments subsequently not be satisfied, the tax abatement or other incentive shall be null and void (unless the tax abatement agreement provides for a recapture of the property tax revenue lost proportionate to a partial failure to meet the minimum thresholds set forth in the agreement) and all abated taxes or other incentive shall be paid immediately to the City of Denton. Provisions to this effect shall be incorporated into the agreement.
- N. The City reserves the authority to enter into tax abatement agreements at differing percentages and/or terms as set forth in the guidelines of this Policy, consistent with the requirements of the Tax Code. The City also reserves the authority to enter into incentive agreements under Chapter 380 of the Texas Local Government Code.

Any incentive agreement will address various issues, including but not limited to, the following:

- 1. General description of the project
- 2. Amount of the tax abatement and percent of value to be abated each year
- 3. Method of calculating the value of the abatement
- 4. Duration of the abatement, including commencement date and termination date
- 5. Legal description of the property
- 6. Kind, number, location and timetable of planned improvements
- 7. Specific terms and conditions to be met by applicant
- 8. The proposed use of the facility and nature of construction
- 9. Contractual obligations in the event of default, violation of terms or conditions, delinquent taxes, recapture, any decrease in valuation, administration and assignment

Annual Evaluation

Upon completion of construction and/or other threshold criteria, the City Council shall receive from the City Manager (or his/her designee) an annual evaluation of each incentive to insure compliance with the agreement and to report possible violations of the agreement to the appropriate taxing entities. After new tax base numbers are received in July of each year, the City Manager and his staff will have ninety (90) days to review and prepare a breakdown of those figures.

Local Businesses and Historically Underutilized Businesses

Businesses receiving an incentive are asked to use diligent efforts to purchase all goods and services from Denton businesses whenever such goods and services are comparable in availability, quality and price.

The City of Denton also encourages the use, if applicable, of qualified contractors, subcontractors and suppliers who are historically underutilized businesses based on information provided by the General Services Commission pursuant to Chapter 2161 of the Government Code. In the selection of subcontractors, suppliers or other persons or organizations proposed for work on this Agreement, the OWNERS agree to consider this Policy and to use their reasonable and best efforts to select and employ such companies and persons for work on this Agreement.

Job Recruiting from Low-Moderate Income Census Tracts

Businesses receiving incentives are asked to endeavor to make available, or endeavor to cause lessees or assignees to make available, full-time or part-time employment with on-the-job training for Denton citizens. In this effort, the business, lessee or assignee is encouraged to recruit from the low-moderate income Census tracts as further defined by the U.S. Department of Housing and Urban Development's (HUD) Qualified Census Tracts (QCT) map shown in Figure 1. HUD defines QCTs as "census tracts in which one-half or more of the households have incomes below 60 percent of the area median income or the poverty rate is 25 percent of [or] higher.

FIGURE 1: DENTON, TEXAS
2010-2011 Qualified Census Tracts

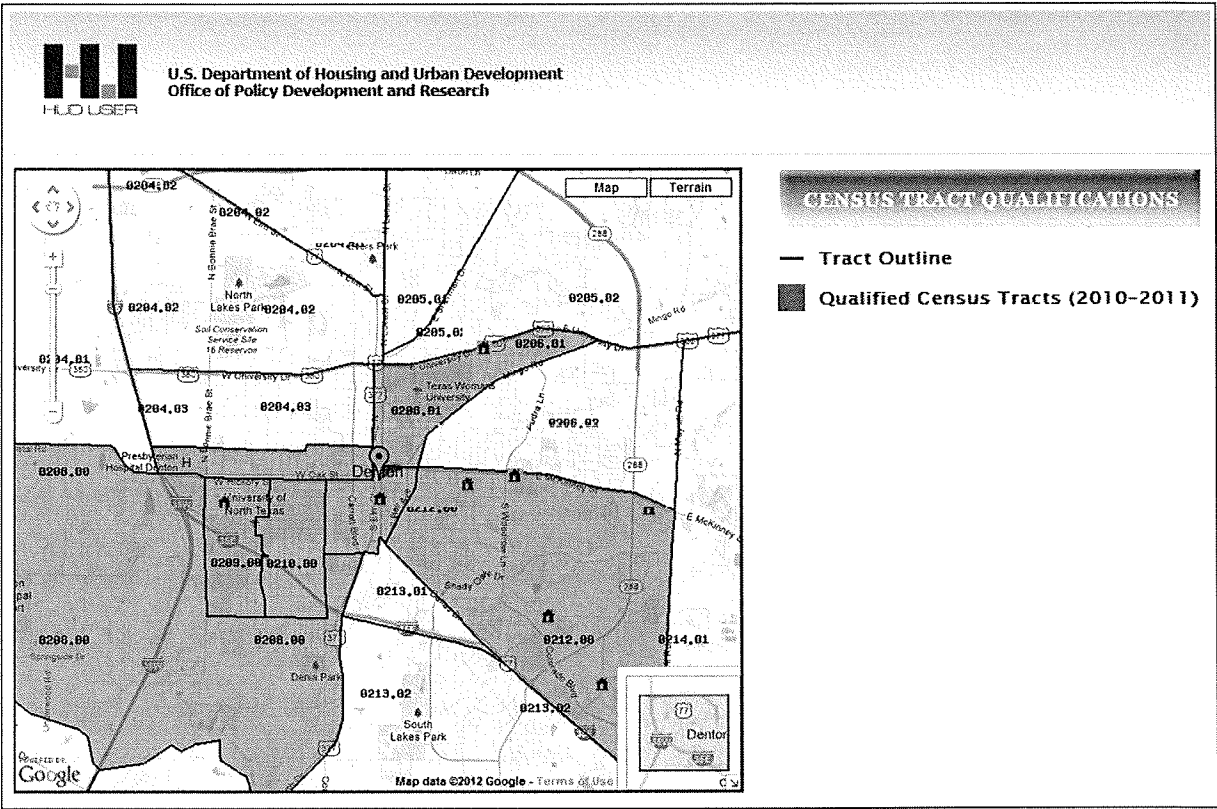


EXHIBIT A

The City of Denton Incentive Application

About the Application...

The Incentive Application provides the City with specific information on the project. The information requested in the Application is designed to address the criteria developed within the City of Denton's Incentive Policy. The information serves as the basis for fiscal analysis and overall project evaluation. This evaluation is provided to the Economic Development Partnership (EDP) board and Council Members and serves as a source document during EDP board and City Council deliberations.

The Application and the Agreement...

Specific information from the Application (such as value of new investment and employment commitments) is incorporated into the Incentive Agreement. In fact, the Application is an attachment to the Agreement. Since the Agreement is a binding contract, it is important that each question on the application be answered in full and as realistically as possible. Simply put, the application is part of the process from start to finish so you'll want to make sure you're comfortable with the contents.

When Is The Application Final?

The answer to this question is very simple: When you tell us, "It's final." It is not uncommon for a business entity to submit numerous Applications as drafts for informational and evaluative purposes only. As conversations continue, the business entity will submit a finalized version of the Application that includes all of the commitments agreed to during the discussions.

What about Confidentiality?

Section 312.003 of the Texas Tax Code makes confidential information provided to the City as a part of this application that describes the specific processes or business activities to be conducted or the equipment or other property to be located on the property. This information is not subject to public disclosure until the incentive agreement is executed. Section 522.131 of the Texas Government Code (Texas Public Information Act) makes confidential information which relates to economic development negotiations between the City and a business prospect that the City seeks to have locate, stay or expand in or near the territory of the City. The information must relate to a trade secret of the business prospect, commercial or financial information which the business prospect can demonstrate based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained or information about a financial or other incentive being offered to the business prospect by the City or by another person. Information about a financial or other incentive being offered to the business prospect is required to be disclosed when an agreement is made with a business prospect. The City is subject to disclosing most records and documents upon request under the Public Information Act. **Accordingly, please clearly indicate and mark any information you consider proprietary.**

This would include anything in your application which you consider a trade secret, commercial or financial information which you can demonstrate by specific factual evidence that would cause substantial competitive harm if disclosed, information which describes the specific processes or business activities to be conducted or the equipment or other property for which the incentive is sought, any financial or other incentive you may be seeking from the City or any other information you deem to be confidential under the law.

Who is Authorized To Sign the Application?

Because the Application itself is non-binding, the person signing need not be the property owner or even an individual duly authorized to sign on behalf of the property owner. However, if an Agreement is reached, the Application will be an attachment to the Agreement and its contents will be binding through the authorized signature required on the Agreement.

EXHIBIT A



City of Denton Incentive Application

City of Denton
Department of Development Services, Economic Development Division
215 E. McKinney St.
Denton, Texas 76201
(940) 349-7776
(940) 349-8596 FAX
www.cityofdenton.com
Caroline.Booth@cityofdenton.com

INCENTIVE APPLICATION CITY OF DENTON, TEXAS

1.

Property Owner	Sally Beauty Holdings		
Company or Project Name	Sally Beauty Holdings - World Headquarters		
Mailing Address	3001 Colorado Blvd		
	Denton, TX 76210		
Telephone	940/898-7500	Fax No.	
Website	www.sallybeautyholdings.com		
Contact Name	Paul Myrick		
Title	VP Real Estate		
Mailing Address	same as above		
Telephone	940/297-4499	Fax No.	940/381-9022
Email Address	pmyrick@sallybeauty.com		
2. Provide a chronology of plant openings, closing and relocations over the past 15 years.

Developed and moved into the above stated HQ office facility in 2005, continued to own and now use former building at 3900 Morse Street.
The corporation operates approx 5,000 store locations world-wide as a leading speciality retailer and distributor of professional beauty supplies with revenues of \$3.8 billion annually. Open between 100-150 new stores annually and operate over ten (10) distribution centers.
3. Provide a record of mergers and financial restructuring during the past 15 years.

Continue to acquire smaller operations and companies to grow our overall presence and network, however, all corporate functions are supported from the offices location in Denton.
--
4. Will the occupants of the project be owner or lessee? If lessee, are occupancy commitments already existing?

Sally Beauty Holdings will continue to own and occupy the building (3900 Morse Street) as well as 3001 Colorado Blvd both here in Denton.

5. Is the project a relocation of existing facility or a new facility to expand operations? If relocation, give current location.

The project is a complete interior remodel of the existing facility at 3900 Morse Street to continue to increase our employee base.

6. If an existing Denton business, will project result in abandonment of existing facility? If so, the value of the existing facility will be subtracted from the value of the new facility to arrive at total project value.

--

No abandonment is a part of this remodel plan. We will only continue to grow our employee base here now totalling approx 1,000 employees in both facilities as well as managing 27,000 employees worldwide.

7. Property Description.

- Attach a copy of the legal description detailing property's metes and bounds. See attached
- Attach map of project including all roadways, land use and zoning within 500 feet of site. See attached

8. Current Value. Attach copy of latest property tax statement from the Denton County Central Appraisal District Include both real (land and improvements) and personal property). See attached

9. Increased Value/Estimated Total Cost of Project.

Structures	\$ 4,428,000.00	Site Development	\$ 94,000.00
Personal Property	\$ 2,600,000.00	Other Improvements	\$ 368,000.00

10. Indicate percent of tax abatement and number of years requested.

Percent Requested	Years Requested
-------------------	-----------------

List any other financial incentives this project will request/receive

None

Estimated Freeport Exemption	\$
Estimated Electric Utility Industrial Development Rider	\$
Estimated Water/Wastewater Infrastructure Assistance	\$
Chapter 380 Incentive	

11. Give a brief description of the activities to be performed at this location, including a description of products to be produced and/or services to be provided.

The project is a complete remodel of the interior office portion of the building at 3900 Morse Street. The scope of the project includes, new windows, flooring, walls, ceiling, interior lights, cafe/dining area, breakrooms, furniture, data and phone cabling, lobby, HVAC ducting system, roof repairs, HVAC unit repairs, electrical switch replacement/upgrade, restroom upgrades, as well as later improvements to the parking lot, landscaping and over time will continue to convert the warehouse portion of the structure to office use.

12. Describe any off-site infrastructure requirements:

- Water None
- Wastewater None

• Streets	None
• Drainage	None
• Other	None

13. **Project Operation Phase.** Provide employment information for the number of years incentive is requested.

Employment Information	Existing Operation (if applicable)	At Project Start Date (mo/yr) ____/____	At Term of Incentive
A. Total number of permanent, full-time jobs	200	Feb 2016	150
B. Employees transferred from outside Denton	50	Feb 2017	250
C. Net permanent full-time jobs (A. minus B.)	150		350
E. Total annual payroll for all permanent, full-time jobs (A.)	\$6.5M		\$12.8M

- F. Types of jobs created. List the job titles and number of positions in each category that will be employed at the facility. Provide average wage for each category.

Accounts Receivable / Credit & Collections / Customer Service Inside sales / Ecommerce / Web Content Departments with additional accounting and finance departments added in 2016-2017- 85 customer service Reps - 32 Credit & Collection Reps - 8 Supervisors - 6 Dept Managers - 4 Area Directors with additional roles being added within 2016-2017 - at the completion of the remodel project there should be approximately 400 full time positions in the facility. The base salary ranges for these positions is \$27k to \$150k depending on position

- G. Indicate the number of shifts the project will operate

Standard business hours for most positions - 7am to 6pm generally

H. Estimate annual utility usage for project:					
Electric	\$173,673	kWh	Water	Sewer & Water \$18,857	gpd
Wastewater		gpd	Gas	\$17,873	mcf

14. Describe any other direct benefits to the City of Denton as a result of this project (e.g., sales tax revenue or project elements identified in Tax Abatement Policy, Section III). NA

15. Is property zoned appropriately? ☒ Yes No

Current zoning. EC-I (Employment Center Industrial)

Zoning required for proposed project. current use remains

Anticipated variances. none

16. Is property platted? ☒ Yes No

Will replatting be necessary Yes ☒ No

17. Discuss any environmental impacts created by the project. None, use remains as is

A. List any permits for which applicant must apply. Applicant will be required to provide City with copies of all applications for environmental permits upon completion of application(s).

Building permit and fire alarm / system permit

B. Provide record of compliance to all environmental regulations for the past five years.

N/A

18. Provide specific detail of any businesses/residents that will be displaced and assistance that will be available from the requesting company.

N/A

19. Provide description of any historically significant area included within the project's area as determined by the Historic preservation Officer. If any, give detail of how the historically significant area will be preserved.

N/A

20. Justification for Incentive Request: Substantiate and more fully describe the justification for this request. Include the amount of the incentive requested and show how it will contribute to the financial viability of the project. Submit attachments if necessary.

Sally Beauty has been based in Denton since 1982 when we had 119 stores, today we have over 5,000 stores world-wide. We have approximately 1,000 full time employees based in Denton and are in the top 7 private employers in the City. We are supporters of The Children's Advocacy Center, American Heart Association Go Red for Women, Adopt a Child through Hope, Denton Food Bank, national supporter of United Way and for the past 5 years the presenting partner for the North TX Susan G Komen Race for the Cure. We are additionally a Founding Member of UNT Global Digital Retailing Research Center as well as hold a seat on the Denton Chamber of Commerce as well as the Women in Commerce that supports women owned business in Denton County.

21. List additional abatement factors to be considered for this project as outlined on pages 3 and 4 of the Incentive Policy.

	Occupies building vacant for at least 2 years		Donation of materials to public schools
	Project creates high-skilled, high-paying jobs		Improvements to Downtown
✓	Significant relationship with universities		Project forms business park
✓	25% of new jobs filled by Denton residents	✓	International or national headquarters
	25% local contractors to be utilized		Medical manufacturing or research facility
✓	25% of jobs are knowledge-based		Environmentally sustainable practices used
	Donation of significant public art		Renewable Energy generated/stored/utilized
✓	Community support and involvement: Attach description of community involvement		

22. Financial Information: Attach a copy of the latest audited financial statement or, in the case of a new project, a business plan.

23. Does the project have an eligible environmentally sustainable or renewable energy component (if so, please identify type and provide a brief description)?

installing LED lights throughout the office portion of the building

24. Applicants seeking LEED certification must complete the Green Building Application for Tax Abatement (Exhibit B of the policy). N/A

**COMPLETE THIS SECTION IF REQUESTING ADDITIONAL INCENTIVE
BASED ON LEED CERTIFICATION CONSTRUCTION**

- | | | |
|----|---|---------|
| 1. | Property Owner | |
| | Company or Project Name | |
| | Mailing Address | |
| | | |
| | Telephone | Fax No. |
| | Website | |
| | | |
| | Contact Name | |
| | Title | |
| | Mailing Address | |
| | | |
| | Telephone | Fax No. |
| | Email Address | |
| | | |
| 2. | Project location address: | |
| | | |
| | | |
| 3. | Provide documentation that the project has been registered with the U.S. Green Building Council. | |
| | | |
| | | |
| 4. | Provide a description of the project (please include the building size, number of occupants and estimated budget). | |
| | | |
| | | |
| | | |
| 6. | Attach a preliminary Leadership in Energy and Environmental Design (LEED) Scorecard illustrating how project will achieve the LEED certification. | |
| | Level of Certification: | |
| | Number of Points: | |

This Incentive Application is submitted with the acknowledgement that additional information may be required.

Authorized Signature

Date: _____

EXHIBIT C
CERTIFICATE OF COMPLIANCE

**CITY OF DENTON
CERTIFICATE OF COMPLIANCE**

Company: Sally Beauty Supply LLC

Reporting Year: January 1 - December 31, 201__

Contract Year No. ____ of 3

I. Investment

1.1 Section I.A.1. of the Chapter 380 Agreement requires the capital investment to generate a minimum of assessed real and business personal property valuation in the amount of \$28,600,00 in valuation for the 3900 Morse Street and 3001 Colorado properties.

- a. The Grantee has invested \$_____ in real and business personal property associated with the project at the 3900 Morse Street location, as reflected in the City of Denton Incentive Application, for the reporting year thereafter ending December 31, 20_____.
- b. The grantee has supplied documentation of the investment, in the form of receipts, invoices, checks or other documents deemed acceptable by the City of Denton, in real and business personal property associated with the project at the 3900 Morse Street location.
- c. The increase in assessed valuation, at the 3900 Morse Street location, for the year ending December 31, 20_____ over the valuation of the January 1, 2016 base year valuation is: _____.

II. Employment

2.1 Section I.A.2. of the Chapter 380 Agreement provides that the Company shall employ at least 250 jobs at the 3900 Morse location.

2.2 Number of existing jobs retained as of December 31, 20____: _____.

2.3 Number of new jobs created and filled as of December 31, 20____: _____.

2.4 As of December 31, 20____, did the number of jobs fall below the numbers required under Sec. I.A.2. of the Agreement?

☐ YES

☐ NO

2.5 Section I.A.2. of the Chapter 380 Agreement requires that the average annual wage, excluding health insurance and retirement benefits, of the jobs at the 3900 Morse location to be at least \$51,800. The average annual wage, excluding health insurance and retirement benefits, of the jobs at the year ending December 31, 20____ is: _____.

2.6 Did the average annual wage, excluding health insurance and retirement benefits, of the new jobs created during the year ending December 31, 20____ equal or exceed the requirements in Section I.A.2. of the Agreement?

☐ YES

☐ NO

III. Additional Covenants

3.1 Section F. of the Chapter 380 Agreement requires the Company to occupy the Improvements and maintain their operations continuously for the Agreement's term. Did the Company comply with the occupancy requirement of Section G. of the Agreement during the year ending December 31, 20____?

☐ YES

☐ NO

3.2 Did the Company timely submit this Certificate of Compliance as required under Section IV.A. of the Chapter 380 Agreement during the year ending December 31, 20____?

☐ YES

☐ NO

3.3 Did the Company comply with the other provisions of the Agreement during the year ending December 31, 20____?

☐ YES

☐ NO

IV. Payment

4.1 The Chapter 380 Agreement provides annual payments for the 3900 Morse Street property for up to 3 years based on conditions being met. For years one through three, the Agreement provides for annual rebates equal to 50 percent of the increase above the base year of the City's ad valorem taxes received for the previous year, excluding the value of land, inventory or vehicles.

4.2 The City property taxes paid for January 1, 20____ valuation are:

3900 Morse

Real Property_____

Business Personal Property_____

3001 Colorado

Real Property_____

Business Personal Property_____

4.3 Please attach the most recent Property Tax Notices.

I, the authorized representative for Sally Beauty Supply LLC, hereby certify that the above information is correct and accurate pursuant to the terms of the Agreement. I further certify that the Company has fully complied with the Chapter 380 Agreement during the year ending December 31, 20____, including compliance with the City of Denton Code of Ordinances, Texas Department of Public Safety Regulations, and other applicable federal, state, or local law.

SALLY BEAUTY SUPPLY LLC

Signature: _____

Printed Name: _____

Title: _____

Date: _____

EXHIBIT D
AUTHORIZATION

SALLY BEAUTY SUPPLY LLC
UNANIMOUS WRITTEN CONSENT
OF THE SOLE MEMBER
IN LIEU OF ANNUAL MEETING

as of August 2, 2016

Pursuant to the provisions of Section 18-302(d) of the Delaware Limited Liability Company Act, the undersigned, being the sole member (the "Member") of Sally Beauty Supply LLC, a Delaware limited liability company (the "Company"), hereby waives notice of meeting and consents to the taking of each action set forth below as if an actual meeting had been held on the date hereof and instructs the Secretary of the Company to file this written consent in the minute book of the Company. The following actions shall constitute the valid action of the Member and shall have the same force and effect as if such actions had been authorized and taken at a formal meeting duly convened and held on the above date.

WHEREAS, the Company owns the building and real property located at 3900 Morse Street, Denton, Texas (the "Property"); and

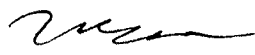
WHEREAS, the Member considers it to be in the best interest of the Company to enter to into an Economic Development Program Grant Agreement with the City of Denton, a Texas municipal corporation (the "City of Denton"), effective as of August 2, 2016, for the purposes and consideration stated therein with respect to the development of said Property, as detailed on the attached Exhibit A (the "Agreement").

NOW, THEREFORE, BE IT RESOLVED, that the Agreement and any ancillary documents related to the Agreement, hereby are, approved for all purposes; and be it further

RESOLVED, that the officers and Members be, and each of them hereby is, authorized to do or cause to be done, any and all acts and to execute and deliver any and all agreements, undertakings, consents, documents, and certificates as in their opinion, or in the opinion of counsel to the Company, may be necessary, appropriate, or desirable to carry out the terms and intent of the foregoing resolutions, including, but not limited to, the execution of the Agreement by Christian A. Brickman, the Chief Executive Officer of the Company.

IN WITNESS WHEREOF, the undersigned has subscribed his name on behalf of the Members of the Company, as of the date first written above, in attestation to the accuracy of the foregoing written consents and of his approval of all actions taken as recited therein.

SALLY HOLDINGS LLC,
a Delaware limited liability company

By: 
Matthew O. Haltom, Senior Vice President, General
Counsel and Secretary