

THE STATE OF TEXAS

COUNTY OF COLLIN

TAX ABATEMENT
REINVESTMENT ZONE NO. 26
BETWEEN CITY OF RICHARDSON,
COLLIN COUNTY, COLLIN COUNTY COMMUNITY
COLLEGE DISTRICT AND KDC-GALATYN
INVESTMENTS I, LP.
CITY OF RICHARDSON

On **December 12, 2006**, the Commissioners Court of Collin County, Texas, met in **regular session** with the following members present and participating, to wit:

Ron Harris
Phyllis Cole
Jerry Hoagland
Joe Jaynes
Jack Hatchell

County Judge, Presiding
Commissioner, Precinct 1
Commissioner, Precinct 2
Commissioner, Precinct 3
Commissioner, Precinct 4

During such session the court considered a request for approval of an Agreement/Reinvestment Zone No. 26 between the City of Richardson, Collin County, Collin County Community College District and KDC-Galatyn Investments I, LP. to provide for a commercial/industrial tax abatement.

Thereupon, a motion was made, seconded and carried with a majority vote of the court approving the attached Tax Abatement Agreement/Reinvestment Zone No. 26. This Tax Abatement shall be based on amounts equal to 50% for Real Property and Business Personal Property for a period of ten (10) years. Same is hereby approved in accordance with the attached documentation.



ATTEST:

Brenda Taylor
Brenda Taylor, Ex-Officio Clerk
Commissioners' Court
Collin County, T E X A S

Ron Harris
Ron Harris, County Judge
Phyllis Cole
Phyllis Cole, Commissioner, Pct. 1
Jerry Hoagland
Jerry Hoagland, Commissioner, Pct. 2
Joe Jaynes
Joe Jaynes, Commissioner, Pct. 3
Jack Hatchell
Jack Hatchell, Commissioner, Pct. 4

AI-25947

Item #: 5. j. 1.

Commissioners Court

Date: 12/12/2006

Submitted By: Marie Chacon, Budget/Finance

Department: Budget/Finance

Information

Description of Agenda

Discussion and any action regarding the Tax Abatement Agreement RZ-26 between the City of Richardson, Collin County, Collin County Community College District and Koll Development - Galatyn Investments, LP.

Purchasing Department Action

No action by Purchasing.

Finance Department Action

Per attached.

Auditor's Office Action

Commissioners Court

Reinvestment Zone No. 26 with KDC-Galatyn Investments I, LP., City of Richardson.

Attachments

Link: [Court Order](#)

Link: [memo](#)

Link: [summary](#)

Link: [Tax Abatement](#)

Link: [ordinance](#)

Link: [Tax Abatement Agreement](#)



COLLIN COUNTY

Budget & Finance
210 S. McDonald Street
Suite 636
McKinney, Texas 75069
www.collincountytx.gov

To: Collin County Commissioners Court

From: Rodney Rhoades, Budget & Finance Director

Date: December 4, 2006

Re: Tax Abatement Reinvestment Zone 26

Attached for your consideration is Tax Abatement Agreement Reinvestment Zone #26 between Collin County, Collin County Community College District, the City of Richardson, and KDC-Galatyn Investments I, LP. The Tax Abatement is for a period of ten (10) years at 50% of the Real Property and Business Personal Property.

The Business Personal Property is estimated to have an approximate abatable value of \$20,000,000 and the Real Property is estimated to have an approximate abatable value of \$112,500,000 that will begin January 1, 2007 and continue through February 1, 2017. The minimum amount of the Tax Abatement per year is \$324,625. The Tax Abatement is for a development that has 1 million sq.ft. of corporate space with an estimated work force of 5,200.

Executive Summary for Taxing Entities
Tax Abatement for Reinvestment Zone #26
Koll Development at Galatyn Park
December 4, 2006

Overview:

Koll Development has been sought to develop a new corporate campus site for their Client. The site under consideration is a 34-acre tract of Galatyn Park at the NW corner of Lookout Drive at Glenville Dr and is close to the Galatyn Park DART station. This site is currently owned by the Galatyn Park Corporation and is entirely within Collin County. The development is a corporate office campus consisting of approximately one million square feet of office space and a related parking garage. A planned future Phase 2 development will add approximately 300,000 sq.ft. to the office complex. The initial phase is to begin immediately in early 2007, with occupancy forecasted for mid-2009. From an expected initial employment of 3,200, the future phased expansions can increase this employment impact to 5,200.

Details on Agreement:

- Property Location: NW Corner of Lookout Dr at Glenville Dr
- Land: 34 acres
- Preliminary Configuration
For Phase I Facilities: Bldg #1 - 12-story Office Building
Bldg #2 - 4-story Office Building
Parking Garage
- Proposed Facility Dimensions: 1.0 million sq.ft.
 - Facility Uses: Office Buildings and related Parking Garage
 - Phase One Employment: 3,200 employees
 - Lease Commitment: Initial 25-yr term and 2 options for subsequent 10-yr terms
 - Abatement Terms: Average of 50% for 10 years (ability to flex up to 90% in a year with offset in subsequent years)
- Market Value:
 - Land (34 acres) \$9,346,016
 - Improvements \$225,000,000
 - **Abatable Real Improvement Value \$112,500,000**
 - Tangible Personal Property \$40,000,000
 - **Abatable Tangible Personal Property \$20,000,000**
 - Total Real & Personal Property \$265,000,000
- Taxable value net of annual average 50% abatement (not including land) – \$132,500,000
- Annual estimated city taxes net of annual average 50% abatement – \$815,842
- Annual benefit to applicant based on annual average 50% abatement – \$762,087

Annual 50% Abatement Summary for All Participating Taxing Entities:

City of Richardson - Summary Abatement Estimate						
	Market Value	Abated Value	Taxable Value	Gross Taxes	Abated Taxes	Net Taxes
Improvements	\$225,000,000	\$112,500,000	\$112,500,000	\$1,294,110	\$647,055	\$647,055
BPP	<u>40,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>230,064</u>	<u>115,032</u>	<u>115,032</u>
Total Project	265,000,000	132,500,000	132,500,000	1,524,174	762,087	762,087
Land	<u>9,346,016</u>	<u>-0-</u>	<u>9,346,016</u>	<u>53,755</u>	<u>-0-</u>	<u>53,755</u>
Grand Total	<u>\$274,346,016</u>	<u>\$132,500,000</u>	<u>\$141,846,016</u>	<u>\$1,577,929</u>	<u>\$762,087</u>	<u>\$815,842</u>

Rate per Hundred = \$0.57516

Collin County - Summary Abatement Estimate						
	Market Value	Abated Value	Taxable Value	Gross Taxes	Abated Taxes	Net Taxes
Improvements	\$225,000,000	\$112,500,000	\$112,500,000	\$551,250	\$275,625	\$275,625
BPP	<u>40,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>98,000</u>	<u>49,000</u>	<u>49,000</u>
Total Project	265,000,000	132,500,000	132,500,000	649,250	324,625	324,625
Land	<u>9,346,016</u>	<u>-0-</u>	<u>9,346,016</u>	<u>22,898</u>	<u>-0-</u>	<u>22,898</u>
Grand Total	<u>\$274,346,016</u>	<u>\$132,500,000</u>	<u>\$141,846,016</u>	<u>\$672,148</u>	<u>\$324,625</u>	<u>\$347,523</u>

Rate per Hundred = \$0.245000

Collin County Community College District - Summary Abatement Estimate						
	Market Value	Abated Value	Taxable Value	Gross Taxes	Abated Taxes	Net Taxes
Improvements	\$225,000,000	\$112,500,000	\$112,500,000	\$197,287	\$98,643	\$98,643
BPP	<u>40,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>35,073</u>	<u>17,537</u>	<u>17,537</u>
Total Project	265,000,000	132,500,000	132,500,000	214,823	116,180	116,180
Land	<u>9,346,016</u>	<u>-0-</u>	<u>9,346,016</u>	<u>8,195</u>	<u>-0-</u>	<u>8,195</u>
Grand Total	<u>\$274,346,016</u>	<u>\$132,500,000</u>	<u>\$141,846,016</u>	<u>\$240,555</u>	<u>\$116,180</u>	<u>\$124,375</u>

Rate per Hundred = \$0.087683

Recommendation:

A public hearing is scheduled for the December 4, 2006 Council meeting, as well as consideration of an ordinance establishing a reinvestment zone for this location. The appropriate notice for the public hearing has been published in the local edition of the Dallas Morning News (Richardson Section).

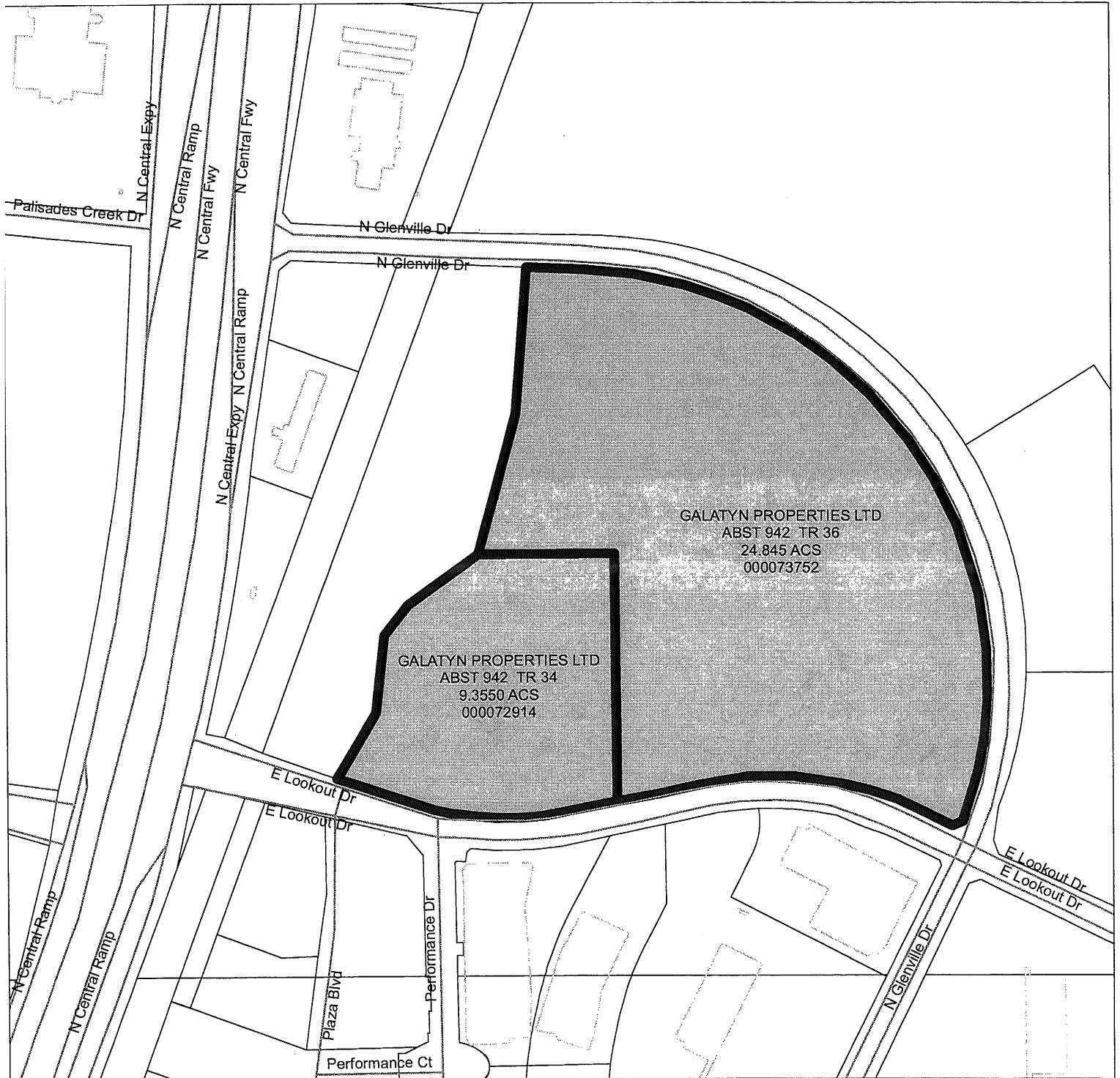
Staff recommends approval of the ordinance.

Attachments:

- Ordinance (with Locator Map as Exhibit A)

Exhibit "A"
Legal description of land comprising Reinvestment Zone 26

Abstract 942 Tract 34 (9.355 acres) and Abstract 942 Tract 36 (24.845 acres)



City of Richardson, Texas
Galatyn Park
Koll Development Company

0 0.015 0.03 0.06 0.09 0.12 0.15 Miles
Source: City of Richardson Texas Datum: NAD83
October 2006

ORDINANCE NO. 3583

AN ORDINANCE OF THE CITY OF RICHARDSON, TEXAS, DESIGNATING REINVESTMENT ZONE NO. 26 (KOLL DEVELOPMENT/GALATYN PARK); PROVIDING ELIGIBILITY OF THE ZONE FOR COMMERCIAL-INDUSTRIAL TAX ABATEMENT; CONTAINING FINDINGS THAT THE AREA DESCRIBED IN EXHIBIT "A" QUALIFIES TO BE DESIGNATED AS A TAX ABATEMENT REINVESTMENT ZONE AND THE IMPROVEMENTS SOUGHT ARE FEASIBLE AND PRACTICABLE AND OF BENEFIT TO THE LAND AND THE CITY AUTHORIZING AGREEMENTS IN WRITING WITH THE OWNERS OF ANY TAXABLE REAL AND TANGIBLE PERSONAL PROPERTY LOCATED WITHIN THE DESIGNATED ZONE AND AUTHORIZING THE CITY MANAGER TO EXECUTE THE SAME ON BEHALF OF THE CITY; PROVIDING A SEVERABILITY CLAUSE; PROVIDING A REPEALING CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council of the City of Richardson, Texas, has caused notice to be published in a newspaper having general circulation in the City and has delivered such notice to the presiding officer of the governing body of each taxing unit that includes in its boundaries real property described herein; and

WHEREAS, the City Council of the City of Richardson, Texas, has conducted a public hearing on the designation of the area described herein as a reinvestment zone;

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF RICHARDSON, TEXAS:

SECTION 1. That the City Council of the City of Richardson, Texas finds that the area described in Exhibit "A" attached hereto, will, if designated as a tax abatement reinvestment zone, be reasonably likely to contribute to the retention or expansion of primary employment, or to attract major investment in the zone that will be of benefit to the property and contribute to the economic development of the City. The City Council further finds that the improvements sought are feasible and practicable and would be of benefit to the land to be included in the zone and to the City after the expiration of a tax abatement agreement.

SECTION 2. That pursuant to the provisions of Section 312.201 of the Texas Tax Code, the property described in Exhibit "A" attached hereto and made a part hereof for all purposes is

hereby designated as a Reinvestment Zone and for identification shall be known as “Reinvestment Zone 26 (Koll Development/Galatyn Park).”

SECTION 3. That the property within the Reinvestment Zone No. 26 is eligible for commercial-industrial tax abatement effective on January 1, 2007.

SECTION 4. That the City Council hereby authorizes Tax Abatement Agreements with the owners of taxable real and tangible personal property located within the Reinvestment Zone designated herein, subject to the guidelines and criteria governing tax abatement heretofore adopted by the City Council, and subject to the following conditions:

1. The agreement shall list the kind, number, and location of all proposed improvements of the property;
2. The agreement shall provide access to and authorize inspection of the property by municipal employees to insure that the improvements or repairs are made according to the specifications and conditions of the agreement;
3. The agreement shall limit the uses of the property consistent with the general purpose of encouraging development or redevelopment of a zone during a period that property tax exemptions are in effect;
4. The agreement shall provide for recapturing property tax revenue loss as a result of the agreement if the owner of the property breaches the agreement or fails to make the improvements or repairs as provided by the agreement;
5. The agreement shall contain each term agreed to by the owner of the property;
6. The agreement shall require the owner of the property to certify annually to the City that the owner is in compliance with each applicable term of the agreement;
7. The agreement shall provide that the City may cancel or modify the agreement if the property owner fails to comply with the agreement;
8. The agreement may include the reasons for public improvements by the City or contain other provisions not inconsistent with the Property Redevelopment Tax Abatement Act, as amended.

The City Manager is hereby authorized to execute tax abatement agreements with the owners of any taxable real and tangible personal property located within the Reinvestment Zone designated herein in accordance with this Ordinance.

SECTION 5. The City Council does hereby re-adopt the Richardson Policy Statement for Tax Abatement, a copy of which is on file in the City Secretary's office.

SECTION 6. If any article, paragraph or subdivision, clause or provision of this ordinance shall be adjudged invalid or held unconstitutional, the same shall not affect the validity of this ordinance as a whole or any part or provision thereof, other than the part so decided to be invalid or unconstitutional.

SECTION 7. That all provisions of the ordinances of the City of Richardson, Texas, in conflict with the provisions of this Ordinance be, and the same are hereby, repealed, and all other provisions of the ordinances of the City of Richardson not in conflict with the provisions of this Ordinance shall remain in full force and effect.

SECTION 8. This Ordinance shall take effect immediately from and after its passage as the law and charter in such cases provide.

DULY PASSED by the City Council of the City of Richardson, Texas, on the _____ day of _____, 2006.

APPROVED:

MAYOR

CORRECTLY ENROLLED:

CITY SECRETARY

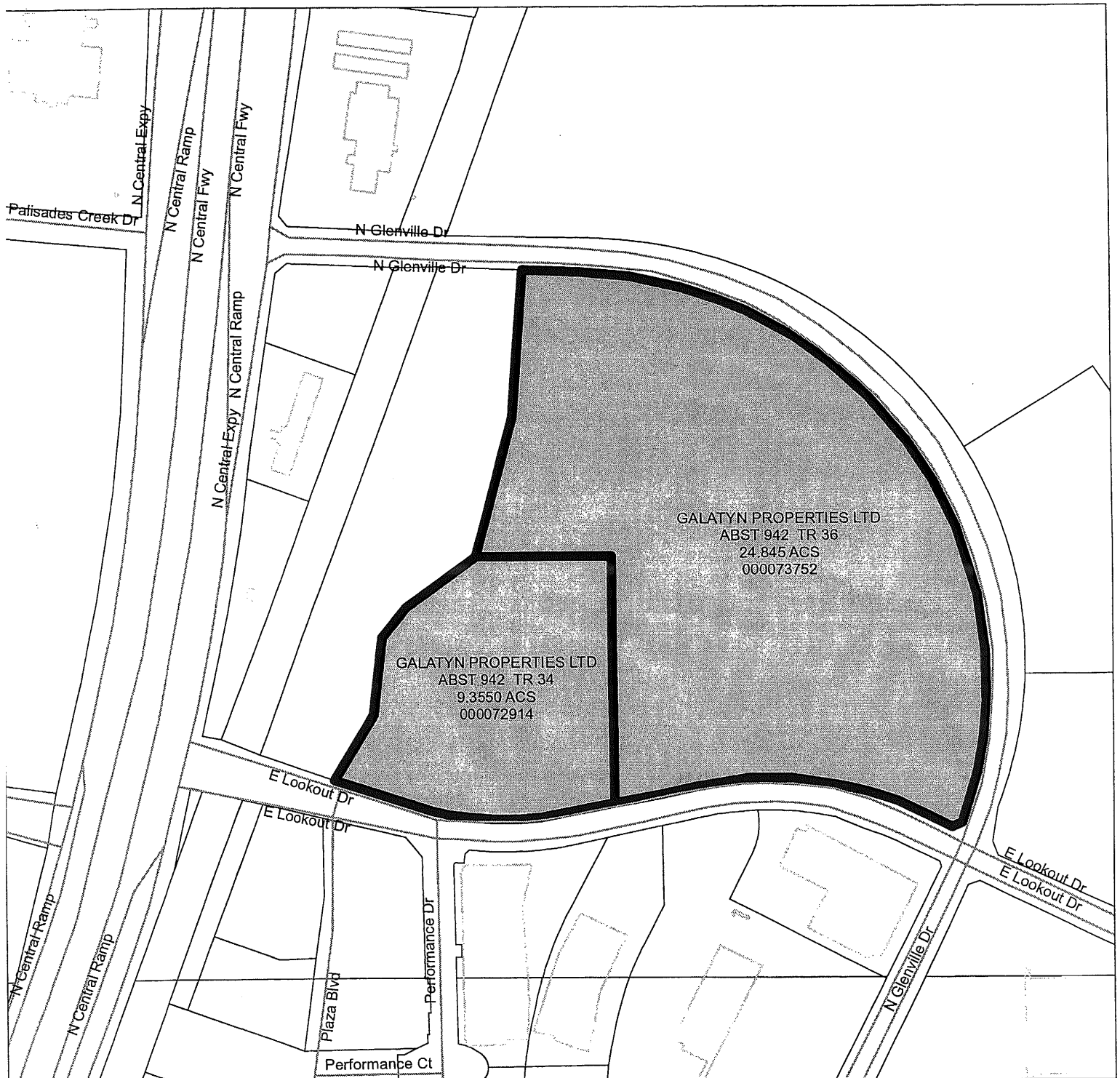
APPROVED AS TO FORM:



CITY ATTORNEY
(PGS/si 71359)

Exhibit "A"
Legal description of land comprising Reinvestment Zone 26

Abstract 942 Tract 34 (9.355 acres) and Abstract 942 Tract 36 (24.845 acres)



City of Richardson, Texas
Galatyn Park
Koll Development Company

0 0.015 0.03 0.06 0.09 0.12 0.15 Miles

Source: City of Richardson Texas Datum: NAD83
October 2006



July 11, 2007

The Honorable Keith Self
County Judge
Collin County
210 S. McDonald Street
McKinney, Texas 75069

City Council
Steve Mitchell
Mayor
Bob Townsend
Mayor Pro Tem
Rhea Allison
John Murphy
Gary A. Slagel
Pris Hayes
Dennis Stewart

Bill Keffler
City Manager

Dear Judge Self:

We have enclosed for your records a completed copy of the tax abatement agreement with Blue Cross Blue Shield. The enclosed copy for your files has been acknowledged by signatures other than the Collin County Community College District electing to not participate at this time. The City of Richardson sincerely appreciates the support of Collin County with this important 34-acre new development at Galatyn Park in Richardson.

As you may know, this development will bring a new headquarters to Collin County as Blue Cross Blue Shield relocates their campus and expands. Phase One employment is projected at 3,200 at this \$225 million, 1 million square foot development. Eventual employment will rise to 5,200. The planning process and site designs are well underway as we anticipate a construction start later this fall and occupancy forecasted for mid-2009.

Thank you for your support and strong posture for quality economic development. If you have any questions concerning this matter, please give me a call (972-744-4204).

Sincerely,

Bill Keffler
City Manager

BK:ks

Cc: Mayor and City Council

Enclosure



ENVIRONMENT
FRIENDLY

P.O. Box 830309
Richardson, TX
75083-0309
972-744-4100
Fax 972-744-5803
<http://www.cor.net>

STATE OF TEXAS §
 §
COUNTY OF COLLIN §

Tax Abatement Agreement

This Tax Abatement Agreement (this "Agreement") is entered into by and among the City of Richardson, Texas (the "City"), KDC-Galatyn Investments I, L.P. ("Owner"), Health Care Service Corporation, A Mutual Legal Reserve Company, doing business in the State of Texas as Blue Cross Blue Shield of Texas ("Lessee"), the County of Collin and the Collin County Community College District (collectively referred to as the "Taxing Units") acting by and through their authorized representatives.

WITNESSETH:

WHEREAS, the City Council (herein so called) of the City, passed an Ordinance (the "Ordinance") establishing Tax Abatement Reinvestment Zone No. 26 (the "Zone"), for commercial/industrial tax abatement, as authorized by the Property Redevelopment and Tax Abatement Act, Chapter 312 of the Texas Tax Code, as amended (the "Tax Code"); and

WHEREAS, the City has adopted guidelines for tax abatement (the "Tax Abatement Guidelines"); and

WHEREAS, the Tax Abatement Guidelines contain appropriate guidelines and criteria governing tax abatement agreements to be entered into by the City as contemplated by the Tax Code; and

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

WHEREAS, in order to maintain and enhance the commercial and industrial economic and employment base of the Richardson, Texas area, it is in the best interests of the taxpayers for the City to enter into this Agreement in accordance with said Ordinance, the Tax Abatement Guidelines and the Tax Code; and

WHEREAS, Owner is under contract to purchase approximately 34 acres of land within the Galatyn Park Urban Center bounded by Lookout Drive, Glenville Drive and the Galatyn Park Woodland Preserve, Richardson, Texas described in Exhibit "A"(the "Land"), and intends to develop and construct a corporate office campus consisting of approximately one (1) million square feet of office space (the "Improvements") (collectively the Land and the Improvements referred to as the "Premises") for Lessee who intends to relocate to the Improvements upon completion thereof; and

WHEREAS, Lessee has leased or is under contract to lease the Improvements for an initial lease period of twenty-five (25) years with two options to lease the Improvements for subsequent terms of ten (10) years each (the "Lease"), and intends to locate Tangible Personal Property (hereinafter defined) at the Improvements;

WHEREAS, development efforts of Owner and Lessee described herein will create permanent new jobs in the City; and

WHEREAS, the City Council finds that the contemplated use of the Premises, the contemplated Improvements in the amount set forth in this Agreement, and the other terms hereof are consistent with encouraging development of the Zone in accordance with the purposes for its creation and/or in compliance with the Tax Abatement Guidelines, the Ordinance adopted by the City, the Tax Code and all other applicable laws; and

WHEREAS, the City Council finds that the Improvements sought are feasible and practicable and would be of benefit to the Land to be included in the Zone and to the City after expiration of this Agreement; and

WHEREAS, a copy of this Agreement has been furnished, in the manner prescribed by the Tax Code, to the presiding officers of the governing bodies of each of the Taxing Units in which the Premises is located; and

WHEREAS, the City desires to enter into an agreement with Owner and Lessee for the abatement of taxes pursuant to Chapter 312 of the Tax Code as amended;

NOW, THEREFORE, in consideration of the mutual benefits and promises contained herein and for good and other valuable consideration, the adequacy and receipt of which are hereby acknowledged, including the expansion of primary employment, the attraction of major investment in the Zone, which contributes to the economic development of the City and the enhancement of the tax base in the City, the parties agree as follows:

Article I

Definitions

Wherever used in this Agreement, the following terms shall have the meanings ascribed to them:

“Base Year Taxable Value” shall mean the Taxable Value for the year in which this agreement is executed (2006).

“Capital Investment” means the total capitalized cost to Owner and the Lessee for the construction of the Improvements, or the total capitalized cost to Lessee for the Tangible Personal Property added to the Premises, as the case may be.

“Commencement of Construction” shall mean that: (i) the construction plans for the Improvements have been prepared and all approvals thereof required by applicable governmental authorities have been obtained; (ii) all necessary permits for the grading of the Land for the construction of the Improvements pursuant to the respective plans therefore having been issued by all applicable governmental authorities; and (iii) grading of the Land has commenced.

“Completion of Construction” shall mean: (i) substantial completion of the Improvements; and (ii) the first final or temporary certificate of occupancy has been issued for Lessee’s occupancy of the first building comprising the Improvements.

“Effective Date” shall mean the last date of execution of this Agreement.

“Employment Positions” shall mean the non-temporary full-time employment positions located at the Premises that are new to Collin County. Two (2) or more part-time employees each totaling thirty (30) hours or more per week may be substituted for one (1) full-time employment position. In the event of voluntary or involuntary termination of an employee, which termination causes the number of Employment Positions to fall below the number required pursuant to this Agreement, such event shall not be an event of default of this Agreement provided the required number of Employment Positions is re-established within sixty (60) days of the employee termination. To receive credit for an Employment Position, the employee must be retained for a period not less than forty-five (45) consecutive days.

“Event of Bankruptcy or Insolvency” shall mean the dissolution or termination of a party’s existence as a going business, insolvency, appointment of a receiver for any part of a party’s property and such appointment is not terminated within one hundred eighty (180) days after such appointment is initially made, any general assignment for the benefit of creditors, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against such party, and such proceeding is not dismissed within one hundred eighty (180) days after the filing thereof.

“Expiration Date” shall mean February 1 of the calendar year following the 10th anniversary date of the First Year of Abatement.

“First Year of Abatement” shall mean January 1 of the calendar year immediately following the date of issuance of the first final or temporary certificate of occupancy for Lessee’s occupancy of the first building comprising the Improvements.

“Force Majeure” shall mean any contingency or cause beyond the reasonable control of a party including, without limitation, acts of God or the public enemy, war, riot, civil commotion, insurrection, adverse weather, government or de facto governmental action or inaction (unless caused by acts or omissions of such party), fires, explosions or floods, strikes, slowdowns or work stoppages.

“Improvements” shall mean a corporate office campus consisting of approximately one (1) million square feet of office space to be constructed on the Land, (and other ancillary facilities, such as reasonably required parking and landscaping more fully described in the submittals filed by Owner with the City from time to time in order to obtain a building permit(s)).

“Land” shall mean approximately 34 acres of land within the Galatyn Park Urban Center bounded by Lookout Drive, Glenville Drive and the Galatyn Park Woodland Preserve, Richardson, Texas and being further described in Exhibit “A”.

“Lease” shall mean the lease of the Improvements by Lessee for an initial lease period of twenty-five (25) years with two options to lease the Improvements for subsequent terms of ten (10) years each.

“Lease Inception Date” shall mean the commencement date under the Lease, but no later than January 1, 2011.

“Lessee” shall mean Health Care Service Corporation, A Mutual Legal Reserve Company, doing business in the State of Texas as Blue Cross Blue Shield of Texas.

“Owner” shall mean the KDC-Galatyn Investments I, L.P.

“Premises” shall collectively mean the Land and Improvements, following construction thereof.

“Tangible Personal Property” shall mean tangible personal property, equipment and fixtures, other than inventory or supplies, owned or leased by Lessee that is added to the Improvements subsequent to the execution of this Agreement.

“Taxable Value” shall mean the appraised value as determined by the appraisal district as of January 1 of a given calendar year.

“Taxing Unit(s)” shall mean the City, Collin County, the Collin County Community College District and such other Taxing Units that execute or join in this Agreement.

“Total Percentage of Abatement” shall mean five hundred percent (500%).

Article II

Term

The term of this Agreement shall begin on the Effective Date and shall continue until the Expiration Date, unless sooner terminated as provided herein.

Article III

General Provisions

3.1 Owner is the owner of, or is under contract, to purchase the Land, which Land is located within the city limits of the City and within the Zone, and intends to construct the Improvements on the Land. Owner has leased or intends to lease the Improvements to Lessee following construction thereof. Lessee intends to lease the Improvements following construction thereof, and further intends to locate Tangible Personal Property at the Premises.

3.2 The Premises are not in an improvement project financed by tax increment bonds.

3.3 This Agreement is entered into subject to the rights of the holders of outstanding bonds of the City.

3.4 To the best of Owner's actual knowledge, Owner represents that, upon and following Owner's acquisition of the Land following construction of the Improvements, the Premises will not be owned or leased by any member of the City Council or the City Plan Commission.

3.5 Owner and Lessee shall each, prior to May 1 of each calendar year during the term of this Agreement, certify in writing to the Taxing Units to the best of the respective party's knowledge that such party is in substantial compliance with each respective term of this Agreement.

3.6 Owner and Lessee shall each use the Improvements at all times during the term of this Agreement in a manner that: (i) is consistent with the City's Comprehensive Zoning Ordinance, as amended, and (ii) that is consistent with the general purposes of encouraging development or redevelopment within the Zone.

3.7 Owner agrees to provide to Lessee the benefit of the tax abatement of the Improvements granted herein. Owner shall, upon written request, provide the Taxing Units, with satisfactory evidence that the benefits of this Agreement have been provided to Lessee.

3.8 Owner shall lease the Improvements to Lessee for an initial lease period of at least twenty-five (25) years commencing on the Lease Inception Date, with two options to lease the Improvements for a subsequent term of at least ten (10) years each following the initial lease term. Lessee shall lease the Improvements from Owner for an initial lease period of at least twenty-five (25) years commencing on the Lease Inception Date, with two options for Lessee to lease the Improvements for a subsequent term of at least ten (10) years each following the initial lease term.

3.9 Beginning on the Lease Inception Date and continuing for a period of twenty-five (25) years thereafter, Lessee shall continuously lease and occupy the Improvements.

Article IV

Tax Abatement Authorized

4.1 This Agreement is authorized by the Tax Code and in accordance with the City Tax Abatement Guidelines, and approved by resolution of the City Council.

4.2 Subject to the terms and conditions of this Agreement, and provided the Taxable Value of the Improvements, excluding the Land, is at least \$225 Million Dollars, as of the First Year of Abatement and as of January 1 of each year thereafter for a total period of ten (10) consecutive calendar years, the Taxing Units grant Owner an abatement of fifty percent (50%) of the Taxable Value of the Improvements for a period of ten (10) consecutive calendar years, beginning with the First Year of Abatement. Subject to the terms and conditions of this Agreement, and provided the Taxable Value of the Tangible Personal Property, is at least \$40 Million Dollars, as of the First Year of Abatement and as of January 1 of each year thereafter for a total period of ten (10) consecutive calendar years, the Taxing Units grant Lessee an abatement of fifty percent (50%) of the Taxable Value of the Tangible Personal Property for a period of ten

(10) consecutive years, beginning with the First Year of Abatement. The actual percentage of Taxable Value of the Improvements, subject to abatement will apply only to the portion of the Taxable Value of the Improvements that exceeds the Base Year Taxable Value for the Improvements. The actual percentage of Taxable Value of the Tangible Personal Property subject to abatement will apply only to Tangible Personal Property added to the Premises after this Agreement is executed.

4.3 Notwithstanding Section 4.2 above, Owner and/or Lessee may increase the percentage of tax abatement for the Improvements and/or the Tangible Personal Property, as the case may be, up to a maximum of ninety percent (90%) for any given tax year provided however the Total Percentage of Abatement granted for the respective property in this Agreement is not exceeded. In the event Owner or Lessee elects to increase the percentage of tax abatement for any given tax year the then remaining percentage of tax abatement for such party and the respective property shall be reduced accordingly. Owner and Lessee may elect to increase the amount of the percentage of tax abatement for a given tax year as provided herein for such party's property by giving written notice of election to the Taxing Units and to the Collin County Appraisal District, or its successor, prior to January 1 of the year in which the increased percentage of tax abatement is to apply. The notice of election shall include the amount of the increased percentage requested for the ensuing tax year.

4.4 The period of tax abatement for the Improvements and the Tangible Personal Property shall be for a period of ten (10) consecutive years.

4.5 During the period of tax abatement herein authorized, Owner and Lessee each shall be subject to all taxation not abated, including but not limited to, sales tax and ad valorem taxation.

4.6 Notwithstanding anything to the contrary in the Lease, Lessee agrees that it shall not during the term of this Agreement take any action to cause the Taxable Value of the Improvements to be reduced below \$225 Million Dollars, including without limitation, as the result of a contest undertaken pursuant to Section 4.03 (g) of the Lease. Lessee agrees with Owner that any action of Lessee that causes the Taxable Value of the Improvements to be reduced below \$225 Million Dollars shall constitute an event of default under the Lease.

Article V Improvements

5.1 Owner owns or is under contract to purchase the Land, and agrees to construct Improvements on the Land. Lessee intends to locate and maintain Tangible Personal Property at the Premises. Nothing in this Agreement shall obligate Owner to construct the Improvements on the Land and/or for Lessee to locate Tangible Personal Property at the Improvements but said actions are conditions precedent to the tax abatement pursuant to this Agreement.

5.2 As a condition precedent to the initiation of the tax abatement pursuant to this Agreement, Owner agrees, subject to events of Force Majeure, to cause Commencement of Construction of the Improvements to occur within 18 calendar months after the Effective Date,

and to cause Completion of Construction of the Improvements to occur within thirty-six (36) calendar months thereafter, as good and valuable consideration for this Agreement, and that all construction of the Improvements will be in accordance with all applicable state and local laws, codes, and regulations, (or valid waiver thereof).

5.3 Owner and Lessee, each agree to maintain the Improvements during the term of this Agreement in accordance with all applicable state and local laws, codes, and regulations. Owner and Lessee each agree that the Improvements shall be used only as office buildings for a period of at least ten (10) years commencing with the First Year of Abatement.

5.4 The Taxing Units, their respective agents and employees shall have the right of access to the Premises during construction to inspect the Improvements at reasonable times and with reasonable notice to Owner and Lessee, and in accordance with Owner's and Lessee's visitor access and security policies, in order to ensure that the construction of the Improvements are in accordance with this Agreement and all applicable state and local laws and regulations (or valid waiver thereof).

5.5 The Taxable Value of the Improvements, excluding the Land, shall be at least \$225 Million Dollars as of the First Year of Abatement for the Improvements and as of January 1 of each calendar year thereafter for a period of ten (10) consecutive years.

5.6 The Taxable Value of the Tangible Personal Property shall be at least \$40 Million Dollars as of the First Year of Abatement for the Tangible Personal Property and as of January 1 of each calendar year thereafter for a period of ten (10) consecutive years.

5.7 Construction plans for the Improvements to be filed with the City, shall be deemed incorporated by reference herein and made a part hereof for all purposes.

5.8 Owner and the Lessee covenant and agree that the Capital Investment of the Improvements shall collectively be at least \$225 Million Dollars as of the date of Completion of Construction of the Improvements. Owner and/or Lessee agrees to provide the Taxing Units with a report in a form reasonably acceptable to the Taxing Units certifying compliance with the minimum Capital Investment set forth in this Section 5.8 (the "Capital Investment Report"). The Capital Investment Report shall be prepared and maintained in accordance with standard construction accounting principles, and shall include information on the extent and the amount of Owner's and/or Lessee's Capital Investment in the Improvements. Owner and/or Lessee agree to submit the Capital Investment Report to the Taxing Units within thirty (30) business days after Completion of Construction of the Improvements. The Taxing Units shall have the right to inspect Owner's and/or Lessee's books and records relating to the construction of the Improvements, subject to Owner's and the Lessee's reasonable security and confidentiality requirements.

5.9 Lessee covenants and agrees that the Capital Investment of the Tangible Personal Property shall be at least \$40 Million Dollars as of the First Year of Abatement for the Tangible Personal Property. Lessee agrees to provide the Taxing Units with a report in a form reasonably acceptable to the Taxing Units certifying compliance with the minimum Capital Investment set

forth in this Section 5.9 (the "Capital Investment Report"). The Capital Investment Report shall be prepared and maintained in accordance with generally accepted accounting principles, and shall include information on the extent and the amount of Lessee's Capital Investment in the Tangible Personal Property. Lessee agrees to submit the Capital Investment Report to the Taxing Units within thirty (30) business days after the date of the First Year of Abatement for the Tangible Personal Property. The Taxing Units shall have the right to inspect Lessee's books and records relating to the acquisition and location of the Tangible Personal Property, subject to Lessee's reasonable security and confidentiality requirements.

5.10 Beginning on the Lease Inception Date and continuing thereafter during the term of this Agreement Lessee covenants and agrees to create, fill and maintain at least three thousand two hundred (3,200) Employment Positions at the Improvements.

Article VI

Default: Recapture of Abated Tax

6.1 In the event: (i) Owner fails to complete the Improvements in accordance with this Agreement or in accordance with applicable State or local laws, codes or regulations; (ii) Owner and/or Lessee has delinquent ad valorem or sales taxes owed to a Taxing Unit (provided such party retains its right to timely and properly protest such taxes or assessments); (iii) Owner and/or Lessee has an "Event of Bankruptcy or Insolvency"; or (iv) Owner and/or Lessee breaches any of the terms and conditions of this Agreement, then such party (the "Defaulting Party"), after the expiration of the notice and cure periods described below, shall be in default of this Agreement. The party under this Agreement who is not in default is hereafter called the "Non-Defaulting Party". As liquidated damages in the event of such default, the Defaulting Party shall, within thirty (30) days after written notice of termination, pay to the terminating Taxing Unit all taxes which otherwise would have been paid by the Defaulting Party to the applicable Taxing Unit without benefit of a tax abatement for the Defaulting Party's property that is the subject of this Agreement, with interest at the statutory rate for delinquent taxes as determined by Section 33.01 of the Tax Code, as amended, but without penalty. The parties acknowledge that actual damages in the event of default would be speculative and difficult to determine. The parties further agree that any abated tax, including interest as a result of this Agreement, shall be recoverable against the Defaulting Party's property that is the subject of this Agreement and shall become due, owing and shall be paid to the applicable Taxing Unit within thirty (30) days after written notice of termination. The parties further agree and acknowledge that a Taxing Unit has the right to terminate this Agreement with respect to a Defaulting party without terminating this Agreement with respect to the Non Defaulting Party and the other Taxing Units. In no event shall a terminating Taxing Unit be entitled to recover abated taxes, interest or penalties, as provided herein, from a Non Defaulting Party as a result of any uncured breach or default by a Defaulting Party, the sole remedy of such terminating party is to recover the abated taxes, interest and penalties from the Defaulting Party and against the Defaulting Party's property the subject of this Agreement.

6.2 Upon breach by Owner and/or Lessee of any obligations under this Agreement, the applicable Taxing Unit shall provide written notice to the Defaulting Party and the Non-Defaulting Party. The Defaulting Party shall have thirty (30) days from receipt of the written

notice in which to cure any such default. The Non-Defaulting Party shall have the right, but not the obligation, to cure the default of the Defaulting Party. If the default cannot reasonably be cured within a thirty (30) day period, and the Defaulting Party has diligently pursued such remedies as shall be reasonably necessary to cure such default, then the applicable Taxing Unit may extend the period in which the breach must be cured.

6.3 If the Defaulting Party or the Non-Defaulting Party fails to cure the default within the time provided as specified above, or as such time period may be extended, then the applicable Taxing Unit at its sole option shall have the right to terminate this Agreement with respect to the Defaulting Party by written notice to the Defaulting Party.

6.4 Upon termination of this Agreement by a Taxing Unit with respect to a Defaulting Party, all tax abated as a result of this Agreement with respect to such Defaulting Party and such Defaulting Party's property that is the subject of this Agreement, shall become a debt to the applicable Taxing Unit as liquidated damages, and shall become due and payable not later than thirty (30) days after a written notice of termination is provided herein. The applicable Taxing Unit shall have all remedies for the collection of the abated tax provided generally in the Tax Code for the collection of delinquent property tax. The applicable Taxing Unit at its sole discretion has the option to provide a repayment schedule. The computation of the abated tax for purposes of this Agreement shall be based upon the full Taxable Value of the Improvements or the Tangible Personal Property, as the case may be, without tax abatement for the years in which tax abatement hereunder was received by the Defaulting Party with respect to the Improvements or Tangible Personal Property, as the case may be, as determined by the Collin County Appraisal District, or its successor, multiplied by the tax rate of the years in question, as calculated by the Tax Assessor-Collector for the applicable Taxing Unit. The liquidated damages shall incur penalties as provided for delinquent property taxes and shall commence to accrue after expiration of thirty (30) days after written notice of termination is given to the Defaulting Party.

Article VII Miscellaneous

7.1 **Annual Application For Tax Exemption.** It shall be the responsibility of Owner and/or Lessee pursuant to the Tax Code, to each file an annual exemption application form with the Chief Appraiser for the Appraisal District in which the eligible taxable property has situs. A copy of the exemption application shall be submitted to the Taxing Units within thirty (30) days after filing the exemption application with the Appraisal District.

7.2 **Notice.** Any notice required or permitted to be delivered hereunder shall be deemed received three (3) days thereafter sent by United States Mail, postage prepaid, certified mail, return receipt requested, addressed to the party at the address set forth below or on the day actually received as sent by courier or otherwise hand delivered.

If intended for Owner:

Attn: Scott Ozymy
KDC-Galatyn Investments I, L.P.
8115 Preston Road, Suite 700
Dallas, Texas 75225

With copy to:

Attn: George Dunlap
Jenkins & Gilchrist
1445 Ross Avenue
Suite 3700
Dallas, Texas 75202-2799

If intended for Lessee, to:

Health Care Service Corporation,
A Mutual Legal Reserve Company
300 E. Randolph Street, 27th Floor
Chicago, Illinois 60601
Attn: Andrew J. Pini, Vice President – Corporate Real Estate
FAX: 312/653-8295
E-Mail: pinia@bcbsil.com

With copies to:

Blue Cross Blue Shield of Texas
901 Central Expressway
Richardson, Texas 75080
Attn: Rick Latham, Texas Facilities Manager
FAX: 972/766-6603
E-Mail: rick_latham@bcbstx.com

and

Bell Nunnally & Martin LLP
1400 One McKinney Plaza
3232 McKinney Avenue
Dallas, Texas 75204
Attn: Larry L. Shosid, Esq.
FAX: 214/740-1499
E-Mail: larrys@bellnunnally.com

If intended for City, to:

Attn: City Manager
City of Richardson, Texas
411 W. Arapaho Road
P.O. Box 830309
Richardson, Texas 75083

With copy to:

Peter G. Smith
Nichols, Jackson, Dillard, Hager & Smith, L.L.P.
1800 Lincoln Plaza
500 N. Akard
Dallas, Texas 75201

If intended for Collin County:

County of Collin
Attn: Collin County Judge
210 S. McDonald Street
McKinney, Texas 75069

If intended for CCCCD:

Collin County Community College District
c/o Chairman
2200 W. University
McKinney, Texas 75070

7.3 **Authorization.** Each party represents that it has full capacity and authority to grant all rights and assume all obligations that are granted and assumed under this Agreement.

7.4 **Severability.** In the event any section, subsection, paragraph, sentence, phrase or word herein 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 section, subsection, paragraph, sentence, phrase or word.

7.5 **Governing Law.** This Agreement shall be construed under the laws of the State of Texas. Venue for any action under this Agreement shall be the State District Court of Collin County, Texas. The parties agree to submit to the personal and subject matter jurisdiction of said court.

7.6 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and constitute one and the same instrument.

7.7 **Entire Agreement.** This Agreement embodies the complete agreement of the parties hereto, superseding all oral or written previous and contemporary agreements between the parties and relating to the matters in this Agreement, and except as otherwise provided herein cannot be modified without written agreement of the parties to be attached to and made a part of this Agreement.

7.8 **Incorporation of Recitals.** The determinations recited and declared in the preambles to this Agreement are hereby incorporated herein as part of this Agreement.

7.9 **Exhibits.** All exhibits to this Agreement are incorporated herein by reference for all purposes wherever reference is made to the same.

7.10 **Assignment.** This Agreement shall be binding on and inure to the benefit of the parties to it and their respective heirs, executors, administrators, legal representatives, successors, and permitted assigns. This Agreement may not be assigned without the prior written consent of the Taxing Units, except that so long as the Lease remains in effect, this Agreement may be assigned by Owner upon, thirty (30) days prior written notice, without the prior written consent of the Taxing Units in connection with a sale of the entire Land to a single entity, and in such event the Agreement shall inure to the benefit of the subsequent owner. Notwithstanding the foregoing, Owner may assign this agreement to Lessee without the prior written consent of the taxing units in connection with a sale of the entire Land to Lessee, and in such event the agreement shall inure to the benefit of Lessee.

7.11 **Conditions Precedent.** This Agreement is subject to and conditioned upon: (i) Owner closing its purchase of the Land on or before June 30, 2007; (ii) the Owner and Lessee having entered into the Lease on or before December 31, 2006; and (iii) Lessee's occupancy of the Leased Improvements on or before the Lease Inception Date.

EXECUTED in duplicate originals this the 29 day of December, 2006.

City of Richardson, Texas

By: Bill Keffler
Bill Keffler, City Manager

Attest:

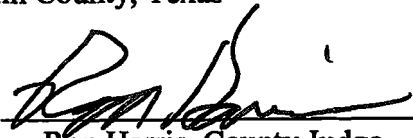
By: Pamela Schmidt
City Secretary

Agreed as to Form:

By: Peter G. Smith
Peter G. Smith, City Attorney

EXECUTED in duplicate originals this the 29 day of December, 2006.

Collin County, Texas

By: 
Ron Harris, County Judge

EXECUTED in duplicate originals this the _____ day _____, 2006.

Collin County Community College District

By: _____
Dr. J. Robert Collins, Chairman

EXECUTED in duplicate originals this the ____ day of _____, 2006.

KDC-GALATYN INVESTMENTS I, L.P.,
a Texas limited partnership

By: KDC Galatyn Investments GP, LLC,
a Texas limited liability company
General Partner

By: Koll Development Company I, L.P.,
a Texas limited partnership
Manager

By: SWV, LLC,
a Delaware limited liability
company,
General Partner

By: _____
Tobin C. Grove,
President

EXECUTED in duplicate originals this the _____ day of _____, 2006.

Collin County, Texas

By: _____
Ron Harris, County Judge

EXECUTED in duplicate originals this the _____ day of _____, 2006.

Collin County Community College District

By: _____
Dr. J. Robert Collins, Chairman

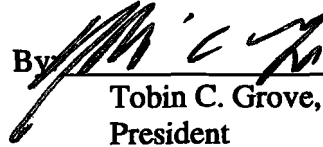
EXECUTED in duplicate originals this the 29th day of December, 2006.

KDC-GALATYN INVESTMENTS I, L.P.,
a Texas limited partnership

By: KDC Galatyn Investments GP, LLC,
a Texas limited liability company
General Partner

By: Koll Development Company I, L.P.,
a Texas limited partnership
Manager

By: SWV, LLC,
a Delaware limited liability
company,
General Partner

By: _____
Tobin C. Grove,
President

10 of 102
EXECUTED in duplicate originals this the 31st day of December, 2006.

**HEALTH CARE SERVICE CORPORATION
A MUTUAL LEGAL RESERVE COMPANY,
an Illinois corporation**

By: 
Andrew J. Pini, Vice President -
Corporate Real Estate

"Approved for legal terms only"

By: 
HSCC Legal

Date: 12-31-06

City's Acknowledgment

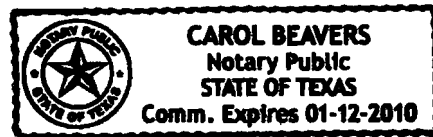
State of Texas §
 §
County of Collin §

This instrument was acknowledged before me on the 27th day of December, 2006, by Bill Keffler, City Manager of the City of Richardson, Texas, a Texas municipality, on behalf of said municipality.

Carol Beavers
Notary Public, State of Texas

My Commission Expires:

01-12-2010



Collin County's Acknowledgment

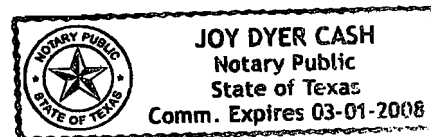
State of Texas §
 §
County of Collin §

This instrument was acknowledged before me on the 29th day of December, 2006, by Ron Harris, the County Judge of Collin County on behalf of Collin County, Texas.

Joy Dyer Cash
Notary Public, State of Texas

My Commission Expires:

03-01-2008



State of Texas §
§
County of Collin §

Notary Public, State of Texas

My Commission Expires:

State of Texas . §
§
County of Collin §

Andra L. King
Notary Public, State of Texas

My Commission Expires:

May 4, 2008



Lessee's Acknowledgment

State of Illinois

§
§
§

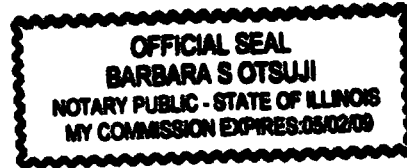
County of Cook

132 1 This instrument was acknowledged before me on the 5th day of January, 2006, by Andrew J. Pini, being the Vice President – Corporate Real Estate of Health Care Service Corporation, a Mutual Legal Reserve Company, an Illinois corporation, on behalf of said corporation.

Barbara S. Otsuji
Notary Public, State of Illinois

My Commission Expires:

May 2, 2009



Abstract 942 Tract 34 (9.355 acres) and Abstract 942 Tract 36 (24.845 acres)

