

December 20, 2018

Richard Nevins  
 Assistant Director of Economic Development  
 Mansfield Economic Development Corporation  
 301 S. Main St.  
 Mansfield, TX 76063  
[richard.nevins@mansfield-texas.com](mailto:richard.nevins@mansfield-texas.com)

Subject: Economic Development and Performance Agreement Between MEDC and ZAH Group, Inc.

Dear Mr. Nevins:

Per our meeting on December 18, 2018, ZAH Group, Inc. (Klein Tools, Inc.) is requesting an amendment to the Amended and Restated Economic Development and Performance Agreement Between The Mansfield Economic Development Corporation and Zah Group, Inc. (the "Agreement") dated December 5, 2013. In particular, the amendment is to address the Agreement's annual benchmarks related to job creation for the years 2018 through 2020.

As we discussed, with the shortage of skilled workers and high turnover rates in Mansfield and surrounding communities, Klein Tools, Inc. has had to change it's hiring strategies from the direct hire of full-time employees to a temporary to-full-time hire program with the use of outside employment agencies. Through a local change in hiring strategy, we have found that hiring temporary workers in Mansfield who work full-time, at 40 hr. per week wages, ensures that Klein finds employees with the necessary skills and cultural fit, thereby reducing the direct and indirect costs of high turnover. In addition, we have partnered with Mansfield ISD's high schools, Tarrant County College and vocational schools to train and educate students in the skills needed for careers in the manufacturing sector.

Klein Tools, Inc. is requesting that the Agreement's definition of Employee in Section 2 be amended to include "full time employee" and "full-time temporary worker". Further, Klein Tools seeks to have the annual benchmarks for Performance Based Incentives, set forth in Section 5 of the Agreement, modified as follows:

**Company Performance Requirement**

12-31-18	Additional Employees Reach 491 Employees New Capital Investment of \$7M	9 <sup>th</sup> \$500K	Pro rata% Deduct on \$250K for less Investment Pro rata % Deduct on \$250K for Less than 491 Employees
12-31-19	26 Additional Employees Reach 517 Employees New Capital Investment of \$7M	10 <sup>th</sup> \$500K	Pro rata% Deduct on \$250K for less Investment Pro rata % Deduct on \$250K for Less than 517 Employees
12-31-20	68 Additional Employees Reach 585 Employees New Capital Investment of \$7M	11 <sup>th</sup> \$500K	Pro rata% Deduct on \$250K for less Investment Pro rata % Deduct on \$250K for Less than 585 Employees
12-31-21	Maintain 585 Employees	12 <sup>th</sup> \$500K	Pro rata% Deduct on \$250K for less Investment Pro rata % Deduct on \$250K for Less than 585 Employees

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Klein Tools, Inc. reserves the right to earn back any pro rata non-performance deduction of any annual incentives granted, if the benchmarks are met within the following twelve (12) months.

As you know, Klein Tools is committed to Mansfield and its future economic development. The construction of the new Klein Tools, Inc. International Distribution Center in Mansfield, Texas is scheduled to be completed by the end of 2020. This new construction will not only allow Klein Tools, Inc. to fulfill the company's performance requirements for job creation, the construction of the new distribution center will result in the investment of an additional \$20,000,000 of new capital into our community.

Klein Tools is striving to make Mansfield the manufacturing center of excellence in the North Texas region. We believe a slight modification to our current Agreement will assist in making that goal a reality.

Thank you for your consideration in this matter.

Best regards

A handwritten signature in blue ink, appearing to read "Russell Winnie", with a horizontal line extending to the right.

Russell Winnie  
Executive Director Loss Prevention

Klein Tools, Inc.

cc: T Klein – Klein Tools, Inc. (via e-mail)  
L Fleiner – MEDC (via e-mail)