

CITY CLERK
ORIGINAL
Coca-Cola Enterprises Inc.

C-4987-3
08/24/2010

August 24, 2010

Mr. Brian Friedman
Director, Economic Development Department
City of Glendale
5850 West Glendale Avenue
Glendale, AZ 85301

RE: Development Agreement Between City of Glendale, Arizona and BCI Coca-Cola Bottling Company of Los Angeles (the "Agreement")

Dear Brian:

Thank you again for taking the time to speak with us on Thursday, August 12, regarding the above-referenced agreement whereby the City of Glendale has agreed to pay to BCI Coca-Cola Bottling Company of Los Angeles ("CCBC") a grant in the amount of \$250,000 (the "Grant") over a five-year period in connection with CCBC's construction of a warehouse and distribution facility and employment of 160 full-time positions at the facility.

During our initial discussions with the City concerning the proposed project, the City offered to pay the Grant to CCBC at the outset of the project. CCBC, however, takes a very conservative position with respect to incentives, and the company routinely prefers to receive grant funds once they have been earned rather than risk any potential repayment of such funds in the event CCBC has not satisfied its employment or capital investment obligations. Accordingly, CCBC and the City agreed to document an arrangement whereby CCBC would receive \$1,562.50 for each employee created at the facility up to a maximum of 160 positions. The grant funds would be paid over a five-year period, and no more than \$50,000 would be paid to CCBC in a single year.

Although the Agreement captured this concept, it failed to address the likelihood that employment growth at the Glendale facility would not be distributed evenly over the five-year period. Since most of CCBC's employees would be located at the facility during the initial years of operations, CCBC would exceed its employment obligations during the earliest years of the Agreement. Although the parties intended that any funds due to CCBC in excess of \$50,000 per year would be accumulated and paid in successive installments of \$50,000, the Agreement implied that the City actually would make a balloon payment to CCBC at the end of the five-year term period.

Pursuant to our discussions on August 12, 2010, I believe that we have agreed to a payment structure whereby CCBC would retain the \$50,000 payments received in years 2008 and 2009 but would defer the request for the 2010 payment until December of 2010. Upon submission of data to verify the CCBC employment figures, CCBC will receive a \$50,000 payment this December. Thereafter, CCBC would submit requests for \$50,000 payments in December of 2011 and December of 2012. During this time, we will maintain at least 160 employees at the Glendale CCBC facility.

We are very pleased to report that growth at the facility has exceeded the required jobs by nearly thirty five percent (35%). As of May 2010, the Glendale CCBC facility now has 97 additional sales, merchandising and cooler service professionals who office out of the Glendale Distribution

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Center. Therefore, the total number of CCBC employees who have been working out of the Glendale facility has increased from 118 to 215 employees.

Here is the breakdown of employees by business area:

Management	14
Administration	7
Distribution	46
Fleet	3
Warehousing	48
Cooler Service	3
Sales	29
<u>Merchandising</u>	<u>65</u>
Total	215

This development came at the heels of the CCBC Tempe facility's union decertification which allowed CCBC operations to be conducted from either the Glendale or Tempe facilities. In turn, sales, merchandising and cooler service personnel who service accounts on the west side of the Phoenix area now hold meetings, functions and conduct other Company business from the Glendale location instead of driving to the Tempe office.

Not only are our employees happy with the change (most of them live in the west side of Phoenix), but CCBC also expects to see monetary savings from a reduction in transportation costs, fuel and employee travel time. In addition, our employees are expected to enhance their expanded presence in the west side of the city by frequenting local businesses for lunch, fuel and supplies. All in all, CCBC expects to be able to better serve Northern Arizona from this facility.

Again we are grateful for all of the support that we have received from the City of Glendale, and we look forward to a long and fruitful relationship with the City as we continue to grow our operations in Glendale. In the event you have any questions regarding the above, or if you need any additional information, please let me know.

Best regards,



Tracy Tepper

TT/mk