

Pasadena Refining System, Inc.
CT Corporation System, Registered Agent
350 N. St. Paul St., Ste. 2900
Dallas, TX 75201-4234

Defendant, CROWN CENTRAL, LLC previously known as CROWN CENTRAL PETROLEUM CORPORATION (CROWN) is a foreign for-profit corporation organized under the state laws of Maryland and registered with the Texas Secretary of State to transact business in Texas, which may be served with process at the following address:

Corporation Service Company dba
CSC – Lawyers Incorporating Service Company, Registered Agent
211 E. 7th Street, Ste. 620
Austin, TX 78701-3218

III. VENUE & JURISDICTION

Venue is proper in Harris County, Texas pursuant to Texas Civil Practice & Remedies Code §15.002 because all or a substantial part of the events or omissions giving rise to the claims herein occurred in Harris County.

This Court has jurisdiction over the matter because the amount in controversy, alleged to be \$5,528,104.07 is within the jurisdictional limits of the Court. Further, the Defendants have purposefully availed themselves of the privilege of doing business in Harris County, Texas during all times relevant to this law suit by contracting in Harris County, Texas and/or operating in Harris County, Texas.

Plaintiff is one of the duly and legally organized counties of the State of Texas. As such Section 16.061 (a) of the Texas Civil Practice and Remedies Code provides that, “[a] right of action of this state or a political subdivision of the state, including a county, ..., is not barred by any of the following sections: 16.001-16.004, *et al.*”

IV. FACTS & HISTORY

Pursuant to the Foreign Trade Zones Act of 1934 authorized entities may be allowed to operate in Foreign Trade Zones and reap specific benefits. Among those benefits the Act exempts state and local ad valorem taxation of tangible personal property within such Zones. But, as part of the Foreign Trade Zone application process, entities seeking authorization are to

work with the local governing entities in the public interest. Satisfying the public interest often requires that such entities agree to make payments in lieu of taxes (sometimes called PILOT Payment Agreements or Contracts) to operate their facilities. The Foreign Trade Zone involved in this matter is Zone 84, specifically; Subzone 84N (referred to herein as the Zone or Subzone).

In the matter at hand, Crown Central Petroleum Corporation (“CROWN”), entered into a valid and enforceable *Agreement* (the Crown Contract) with HARRIS COUNTY (aka the County) on December 19, 1995 wherein “*Crown applied for Foreign Trade Subzone status for its refinery located in Pasadena, Texas*”. In Crown’s Contract the County agreed to support CROWN’s “*application for the Pasadena Refinery as required for it to be considered a Foreign Trade Zone Subzone.*” See the Crown Contract, which is hereby incorporated and made a part of these pleadings for any and all purposes as Exhibit 1.

According to the Contract, CROWN agreed “*to forego the benefit of its right of exemption under the Foreign Trade Zone laws with regard to Harris County ad valorem taxes and agree[d] to pay the County for the portion of lost revenue.*” And Harris County, in turn, agreed “*to provide a letter or letters of non-opposition to any necessary entity for Crown’s application for the Pasadena Refinery as required for it to be considered a Foreign Trade Zone Subzone.*” See the Crown contract, Exhibit 1. Harris County performed its contractual obligations to CROWN and in return CROWN made some payments under the agreement from approximately 1995 until 2004.

Although CROWN made payments for the period 1995 through 2004, the County alleges that CROWN breached its contract with Harris County by failing to report and pay for all product (inventory) processed in its refinery as required by the Contract.

Further, the CROWN contract states “*The County and Crown bind themselves and their successors, executors, administrators, and assigns to the other party of this Agreement.*” See the Crown Contract, Exhibit 1. On or about October 22, 2004, CROWN entered into a *Refinery Purchase and Sale Agreement* with PRSI wherein “*said refinery, together with certain land, facilities, inventory, equipment, contracts and other assets...*” were conveyed to PRSI. See the *Refinery Purchase and Sale Agreement* attached hereto as Exhibit 2. Harris County further alleges that PRSI has sought and obtained the benefits of the Subzone, but failed to report and pay for the entire product (inventory) in the Subzone and processed in its refinery as required by the Contract.

From 2005 forward Defendants have wholly failed to comply with the contract terms requiring PILOT Payments to Harris County.

It is for these reasons that Harris County brings this lawsuit seeking to recover the PILOT Payments for the years Defendants have breached the contract.

CAUSE OF ACTION – BREACH OF CONTRACT

HARRIS COUNTY brings this cause of action alleging breach of contract by Defendants CROWN and PRSI.

V. DAMAGES

Harris County is seeking back payments alleging that \$5, 528,104.07 is due for the years 2005 forward as outlined in Exhibit 3 hereto and as updated with time. Harris County further seeks yet to be determined damages from the defendants' failure to report and pay for all product (inventory) in the Subzone and processed in its refinery as required by the Contract since its inception on December 19, 1995.

VI. APPLICATION FOR WRIT OF ATTACHMENT - PRSI

Pursuant to Chapter 61 of the Civil Practice and Remedies Code and Rule 592 of the Texas Rules of Civil Procedure, Harris County asks this Court to protect against the sale of PRSI and/or its assets as it has been publicly reported that PRSI is interested in and in the process of attempting to sell its refinery and/or related assets and interests in Zone 84. See attached news articles, Exhibit 4. The facts in this application are based upon information and belief as outlined in the supporting affidavit of David Turkel.

PRSI is a foreign for-profit corporation organized under the state laws of Connecticut. See Exhibit 5.

Harris County maintains that PRSI is justly indebted to Harris County for breach of contract in the amount of \$5, 528,104.07 as alleged in this lawsuit. See Exhibits 1, 2 and 3.

Harris County may lose the debt owed it unless a writ of attachment is issued because PRSI's parent company, Petrobas International Brasperto B.V, a Delaware corporation, is actively contemplating and working toward the sale of PRSI which could very well deprive Harris County of satisfaction of any judgment against defendant in this suit. See Exhibit 4.

Harris County does not seek this writ of attachment for the purpose of injuring or harassing PRSI. Harris County has been in contact with PRSI legal counsel and they are very aware of Harris County's claims.

Wherefore Harris County requests this Court grant Harris County's application ordering the Clerk of the Court to issue a writ of attachment upon the real property (the PRSI Refinery subject to sale) located in Pasadena, Texas, more definitely described in the Special Warranty Deed bearing Harris County Clerk filing number Y218006 and filed on January 26, 2005, number 200756267, attached as Exhibit 6. Or in the alternative, that PRSI be ordered to deposit in the registry of the Court an amount sufficient to satisfy any judgment obtained by Harris County pending adjudication.

Harris County is a governmental entity exempt from the bond requirement to take out a writ of attachment. Section 6.001(b)(4), Civil Practice and Remedies Code.

VII. ATTORNEY'S FEES

As a result of Defendants failure to pay said claim, it became necessary for the Plaintiff to refer this account to the County Attorney's Office of Harris County, Texas for legal representation. The Plaintiff is herein represented by said County Attorney's Office and as such is entitled to be awarded reasonable and necessary attorney's fees for collecting a delinquent debt owed to Harris County. Chapter 38, Civil Practice and Remedies Code; Texas Local Gov. Code § 113.902.

VIII. CONDITIONS PRECEDENT

Harris County alleges that all conditions precedent to filing this lawsuit have been performed or have occurred. Plaintiff has presented its claim to the Defendants in writing prior to the filing of this cause of action. At this time, Plaintiff has not been paid or satisfied.

IX. PRAYER

WHEREFORE, PREMISES CONSIDERED, Plaintiff, HARRIS COUNTY, requests that this Court order the following:

- 1) That a writ of attachment be issued after hearing ordering PRSI to deposit in the registry of the Court sufficient funds to compensate Harris County in the event of

judgment in favor of Harris County or in the alternative, that said attachment be levied upon the real property (Refinery subject to sale) located at and commonly referred to as 111 Red Bluff Road and 1200 Red Bluff Road in Pasadena, Texas;

- 2) That after final trial of this cause, Harris County have judgment against Defendants for all outstanding amounts due as alleged together with authority to go forward with writs and processes necessary to enforce said judgment;
- 3) That Harris County recovers reasonable expenses incurred and reasonable and necessary attorney's fees;
- 4) That all costs of court be assessed against the Defendants;
- 5) That pre-judgment and post-judgment interest is awarded against Defendants; and
- 6) Such other and further relief to which Plaintiff may be justly entitled to receive under the law and facts.

X. REQUEST FOR DISCLOSURE

Pursuant to Rule 194 of the Texas Rules of Civil Procedure, Plaintiff requests that the Defendant disclose, within fifty (50) days of the service of this request, the information or material described in Rule 194.2(a) through (i).

Respectfully submitted,

VINCE RYAN - 99999936
COUNTY ATTORNEY

By  _____

Randall Smidt
Senior Assistant County Attorney
SBN: 00798509
1019 Congress, 15th Floor
Houston, Texas 77002
Phone: 713-755-6065
Fax: 713-755-8848

**ATTORNEYS FOR PLAINTIFF,
HARRIS COUNTY, TEXAS**

COPY

THE STATE OF TEXAS

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§

COUNTY OF HARRIS

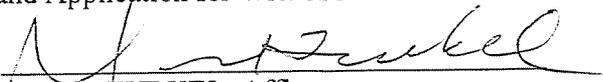
AFFIDAVIT OF DAVID TURKEL
IN SUPPORT OF PLAINTIFF'S ORIGINAL PETITION AND
APPLICATION FOR WRIT OF ATTACHMENT

Before me, the undersigned Notary Public on this day personally appeared David Turkel, affiant, who being duly sworn by me on his oath, deposed, and said:

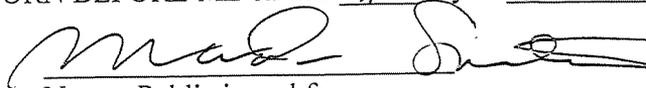
"My name is David Turkel. I am over the age of eighteen (18) years. I am employed as the Executive Director of the Harris County Community Services Department which includes its Economic Development Division, and am duly qualified and authorized to make this affidavit. I have read Plaintiff's Original Petition and Application for Writ of Attachment and based upon information and belief I hereby provide the following facts in support of the writ of attachment:

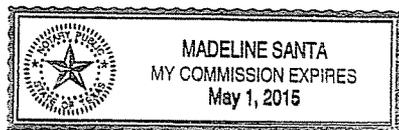
I have care, custody, and control of the records of the account of Defendant, PASADENA REFINING SYSTEM, INC. I have reviewed the amount that the Defendant owes Plaintiff, the sum outlined in Plaintiff's Original Petition as attached thereto in Exhibit 3, and the accounting is within my personal knowledge just and true. Although Harris County, Texas has made demands upon Defendant to pay the account, Defendant has failed and refused, and continues to fail and refuse, to pay this account. The total amount reflected as due in the account includes all just and lawful offsets, payments, and credits allowed. I further verify based on personal knowledge that the factual allegations made in Plaintiff's Original Petition are true and correct.

I have reviewed the records from the Texas Secretary of State and have confirmed that they indicate Pasadena Refining System, Inc. (PRSI) is a foreign for-profit corporation organized under the state laws of Connecticut. See Exhibit 5. I have also reviewed the summary of damages along with the underlying public records available at the Harris County Appraisal District and believe these documents accurately reflect the amounts due Harris County by PRSI and therefore believe PRSI is justly indebted to Harris County for breach of contract in an amount totaling \$5, 528,104.07, subject to the amount being updated. See Exhibits 1, 2 and 3. I have also reviewed various news reports indicating that PRSI's parent company, Petrobas International Brasperto B.V., is actively contemplating and working toward the sale of PRSI and therefore believe Harris County may lose the debt owed it unless a writ of attachment is issued to preserve sufficient assets to satisfy any judgment against PRSI. See Exhibit 4. Harris County does not seek this writ of attachment for the purpose of injuring or harassing PRSI. All Exhibit references herein are to Plaintiff's Original Petition and Application for Writ of Attachment."


DAVID TURKEL, Affiant

SUBSCRIBED AND SWORN BEFORE ME on this 11th day of January, 2013
2013.


Notary Public in and for
The State of Texas



The Court finds the maximum value of the property that may be attached is _____ . The Court further finds that attachment is appropriate (as necessary to satisfy the maximum value of this order) to any and all of the real property identified in the Special Warranty Deed bearing Harris County Clerk filing number Y218006 filed on January 26, 2005, number 200756267, attached to Plaintiff's Original Petition and Application for Writ of Attachment as Exhibit 6. Said property is to be kept safe and preserved subject to further orders of Court.

IT IS ORDERED that a writ of attachment be ordered in favor of Harris County and against Pasadena Refining System, Inc. as to any and all real property identified in the Special Warranty Deed bearing Harris County Clerk filing number Y218006 and filed on January 26, 2005, number 200756267 and that said real property is to be held to satisfy any judgment against Defendant for an amount up to the maximum value set forth herein or until ordered otherwise by the Court. Said property is further Ordered to be kept safe and preserved subject to further orders of Court; and/or

Alternatively, IT IS ORDERED, that Pasadena Refining System, Inc., place the amount of \$ _____ in the registry of the Court in order to satisfy any judgment obtained by Harris County pending adjudication.

SIGNED this ____ day of _____, 2013.

JUDGE PRESIDING

2. “Defendant” means Crown Central, LLC previously known as Crown Central Petroleum Corporation, his/her/its agents, representatives, and all other persons acting or purporting to act in concert with him/her/it or under his/her/its control whether directly or indirectly, including successors, predecessors, divisions, subsidiaries, holding companies, present and former officers, partners (including spouses), stockholders, managers, members, agents, employees, and all other persons, acting or purporting to act for or on behalf of Defendant, his/her/its successors, predecessors, divisions, subsidiaries, and any attorney.

3. “You” or “your” means Defendant, Crown Central, LLC previously known as Crown Central Petroleum Corporation, his/her/its successors, predecessors, divisions, subsidiaries, present and former officers, partners, stockholders, managers, members, agents, employees, and all other persons, acting or purporting to act for or on behalf of Defendant, his/her/its successors, predecessors, divisions, and subsidiaries.

4. “Document(s)” means all written, typed, or printed matter and all magnetic or other records or documentation of any kind or description (including, without limitation, letters, correspondence, telegrams, memoranda, notes, records, minutes, contracts, agreements, records, or notations of telephone or personal conversations, conferences, inter-office communications, E-mail, microfilm, bulletins, circulars, pamphlets, photographs, facsimiles, invoices, tape recordings, computer printouts and work sheets), including drafts and copies not identical to the originals, all photographs and graphic matter, however produced or reproduced, and all compilations of data from which information can be obtained, and any and all writings or recordings of any type of nature, in your possession, custody, or control, including those in the possession, custody, or control of any and all present or former directors, officers, employees, consultants, accountants, attorneys, other agents, or other persons, whether or not prepared by you.

5. “Product” is defined as material, raw or otherwise, that can be processed in the Crown, PRSI, or both refineries in Subzone 84N (referenced in Exhibit 6 to Plaintiff’s Original Petition).

REQUESTS FOR PRODUCTION

REQUEST NO. 1: Produce all documents that evidence the refinement of products refined by or for any person or entity in Subzone 84N from December 19, 1995 through the date of this production.

RESPONSE:

REQUEST NO. 2: Produce all Harris County Appraisal District rendition documents for all products refined by or for any person or entity in Subzone 84N from December 19, 1995 through the date of this production.

RESPONSE:

REQUEST NO. 3: Produce copies of all tolling agreements, third party agreements, or both, generated, entered into, or both, that govern the refinery of products in Subzone 84N for the period from December 19, 1995 through the date of this production.

RESPONSE:

Respectfully submitted,
VINCE RYAN - 99999939
COUNTY ATTORNEY

By  _____

Randall Smidt
Senior Assistant County Attorney
SBN: 00798509
1019 Congress, 15th Floor
Houston, Texas 77002
Phone: 713-755-6065
Fax: 713-755-8848

**ATTORNEYS FOR PLAINTIFF,
HARRIS COUNTY, TEXAS**

CERTIFICATE OF SERVICE

I certify that a true and correct copy of the above and foregoing *Plaintiff's First Requests for Production* has been included with the citation and petition for simultaneous service on Defendant, Crown Central, LLC previously known as Crown Central Petroleum Corporation, in the above styled matter.



Randall R. Smidt
Senior Assistant County Attorney

CERTIFICATE OF SERVICE

I certify that a true and correct copy of the above and foregoing *Plaintiff's Certificate of Written Discovery* has been included with the citation and petition for simultaneous service on Defendant, Crown Central, LLC previously known as Crown Central Petroleum Corporation, in the above styled matter.



Randall R. Smidt
Senior Assistant County Attorney

2. “Defendant” means Crown Central, LLC previously known as Crown Central Petroleum Corporation, his/her/its agents, representatives, and all other persons acting or purporting to act in concert with him/her/it or under his/her/its control whether directly or indirectly, including successors, predecessors, divisions, subsidiaries, holding companies, present and former officers, partners (including spouses), stockholders, managers, members, agents, employees, and all other persons, acting or purporting to act for or on behalf of Defendant, his/her/its successors, predecessors, divisions, subsidiaries, and any attorney.

3. “You” or “your” means Defendant, Crown Central, LLC previously known as Crown Central Petroleum Corporation, his/her/its successors, predecessors, divisions, subsidiaries, present and former officers, partners, stockholders, managers, members, agents, employees, and all other persons, acting or purporting to act for or on behalf of Defendant, his/her/its successors, predecessors, divisions, and subsidiaries.

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VINCE RYAN - 99999939
COUNTY ATTORNEY

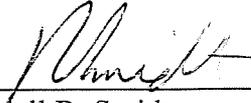
By  _____

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Senior Assistant County Attorney
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Phone: 713-755-6065
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**ATTORNEYS FOR PLAINTIFF,
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Randall R. Smidt
Senior Assistant County Attorney