

**PAYMENT IN LIEU OF TAXES (“PILOT”) AGREEMENT  
FOREIGN-TRADE ZONE SITE**

THIS AGREEMENT (“Agreement”) is entered into by and between Aransas Terminal Company, LLC (“the Operator”) and Nueces County Hospital District (“Hospital District”), a political subdivision of the State of Texas.

**A. RECITALS**

- Port of Corpus Christi Authority (POCCA) is Grantee of Foreign-Trade Zone (“FTZ”) No. 122.
- The Operator desires participation in the FTZ program through the expansion of Foreign-Trade Zone #122 to include space located at 118 HWY 361, Port Aransas, TX 78373 in Nueces County, Texas, as shown in Exhibit B (the “FTZ Site”), for which the Operator seeks designation by the Foreign-Trade Zones Board (the “Board”) of the United States Department of Commerce, and/or activation by the Bureau of Customs and Border Protection of the United States Department of Homeland Security (“Customs”).
- The Operator of the subject FTZ Site is Aransas Terminal Company, LLC.
- The Operator seeks an executed Letter of Non-Objection (“Letter”) from the Hospital District which is required to achieve designation and/or activation.
- 19 U.S.C. §81o(e) may provide a federal exemption from state and local ad valorem taxes for tangible personal property imported from outside the U.S. and held in a FTZ for purpose of storage, sale, exhibition, repacking, assembly, distribution, sorting, grading, cleaning, mixing, display, manufacturing, or processing; and tangible personal property produced within the United States and held in a FTZ for exportation, either in its original form or as altered by any of the above processes.
- Inventory qualifying under 19 U.S.C. §81o(e) and held in any activated FTZ may be exempt from state and local ad valorem taxes.
- The Operator and the Hospital District desire that designation and activation of any part of the FTZ Site cause no financial harm to the Hospital District.

In consideration of the mutual commitments expressed in this Agreement, the parties agree to the following:

**B. DEFINITIONS**

When used herein, the listed words have the following meanings:

“Board” means Foreign-Trade Zones Board within U.S. Department of Commerce.

“Customs” means Bureau of Customs and Border Protection within U.S. Department of Homeland Security.

“FTZ” means Foreign Trade Zone.

“FTZ Exemption” means 19 U.S.C. §810(e) federal exemption for certain inventory and any other potential exemptions from taxation for inventory in a FTZ.

“FTZ Inventory” means any inventory held in the FTZ Site that may qualify for the FTZ Exemption.

“FTZ Site” means the tract(s) described in Exhibit B.

“FTZ Wharfage” means the charges collected by the Operator on each ton or cubic meter (whichever is greater) of cargo that cross the wharf and is designated for and inventoried into the FTZ.

“Interest” means interest payments on delinquency amounts owed to the Hospital District.

“Letter” means executed Letter of Non-Objection from the Hospital District issued on behalf of the Operator.

“PILOT Payment” means the amount of money due the Hospital District as agreed herein, which is a portion of the wharfage collected by the Operator on FTZ Inventory.

### **C. OBLIGATIONS**

The Operator agrees to the following:

- a) The Operator agrees to make PILOT payment(s) to the Hospital District in the amount of 0.64% of the FTZ Wharfage. Said payments are to be made in the form of a check within 30 days of collection of same.
- b) For any FTZ Inventory that does not receive the FTZ Exemption, PILOT Payment(s) shall not be owed to the Hospital District. However, if such FTZ Inventory does not initially receive the FTZ Exemption but is subsequently granted the FTZ Exemption, the Operator agrees to disburse PILOT payment(s) to the Hospital District in the amount and in the manner as indicated in Section C.(a) above.
- c) No later than April 15 of each year, and for as long as this Agreement is in effect, the Operator agrees to furnish to the Hospital District business manager a notarized affidavit detailing all inventories that entered the subject FTZ, the related FTZ Wharfage charges, and an accounting of the amounts due, paid, and payable for the previous calendar year.
- d) Any additional information that may be requested by the Hospital District business manager must be furnished by the Operator within 15 business days thereafter.

- e) Upon execution of this Agreement, the Hospital District shall furnish its Letter of Support, in the form shown in Exhibit A.
- f) The Operator agrees to pay Interest on Delinquent Amounts. Interest will be calculated as described in **“D. MISCELLANEOUS PROVISIONS.”**
- g) The Operator agrees that any violation of this Agreement by the Operator would justify a reversal of the FTZ Site designation and/or activation by the Board and/or Customs. Furthermore, the Operator acknowledges that default under its PILOT Agreement with the Hospital District for such subject Site shall, upon notice of such default by the Hospital District to POCCA, also be a default under the Operators Agreement, and result in the initiation of Deactivation and/or Deauthorization (as applicable) proceedings for such subject FTZ Site.
- h) The amounts payable by the Operator to the Hospital District under this Agreement shall in no event exceed the amounts of ad valorem taxes that would have been payable to Hospital District pursuant to the Texas Property Tax Code on FTZ Inventory in the FTZ Site had the Operator and/or any other party owning FTZ Inventory in the FTZ Site not received the FTZ Exemption under 19 U.S.C. §81o(e).

#### **D. MISCELLANEOUS PROVISIONS**

1. Governing Law. This Agreement will be interpreted under the laws of the State of Texas.
2. Venue. Venue shall be in a Court of competent jurisdiction in Nueces County, Texas.
- 2.
3. Interest. Interest shall accrue on any Delinquent Amount under this Agreement at the rate provided for in the Texas Property Tax Code as though the Delinquent Amount is a tax payment.
4. Binding Effect. This Agreement shall extend to and be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, and future occupants of the 19 U.S.C. §81o(e) Site.
5. Entire Agreement. This Agreement supersedes any prior understanding or agreement between the parties with respect to the subject matter hereof and constitutes the entire understanding and agreement between the parties with respect to the subject matter hereof, and there are no agreements, understandings, restrictions, representations or warranties among the parties with respect to the subject matter hereof other than those set forth herein or provided for herein.
6. This Agreement Does Not Affect Other Rights, Obligations or Agreements. This Agreement does not supersede, modify, or affect any other agreement that has been or may be entered into between the Operator and any other taxing jurisdiction or any other entity, except as otherwise expressly stated in this Agreement
7. Modification of Agreement. This Agreement may be modified only by written consent of all parties.

8. Further Assurances. The parties covenant and agree that they will execute such other and further documents as are or may become necessary or convenient to effectuate and carry out the purpose of this Agreement.
9. Severability. To the extent permitted by law, a holding by any court that any part or any provision in this Agreement is invalid, illegal, or unenforceable in any respect, shall not affect any other provision and this Agreement shall be construed as if the invalid, illegal, or unenforceable provision had never been a part of the Agreement.
10. Termination of Agreement. This Agreement shall terminate upon the revocation of 19 U.S.C. §81o(e) Site status by the Board, but such termination shall not relieve the Operator from its obligation to pay damages as provided in this Agreement.
11. Counterparts. This Agreement may be executed in multiple identical counterparts and when taken together shall constitute one and the same instrument. A facsimile or similar transmission of a counterpart signed by a party hereto or a copy of a counterpart signed by a party hereto will be regarded as an original signed by such party for purposes hereof.
12. Affidavit. This Agreement shall terminate upon the determination by the Hospital District of any misrepresentation in the Affidavit and/or this Agreement which should constitute grounds for the immediate initiation of proceedings for Deactivation and/or Deauthorization for the subject 19 U.S.C. §81o(e) Site, as applicable.
13. Notices. Any notice permitted or required to be given must be in writing delivered in person or by certified U.S. Mail, return receipt requested, to the applicable party addressed as follows:

**Operator:** Aransas Terminal Company, LLC  
Attn: Burt Moorhouse, President  
P.O. Box 2740  
Port Aransas, TX 78373

**Hospital District:** Nueces County Hospital District  
Attn: Jonny F. Hipp, Administrator/CEO  
555 N. Carancahua, Suite 950  
Corpus Christi, TX 78401

EXECUTED on the dates set forth below, but effective as of the last date executed by all the Parties.

**Nueces County Hospital District**

By: \_\_\_\_\_  
Jonny F. Hipp, Administrator/Chief Executive Officer  
Date: \_\_\_\_\_

**Aransas Terminal Company, Operator**

By: \_\_\_\_\_

Burt Moorhouse, president

Date: \_\_\_\_\_

**EXHIBIT A**

*[Use letterhead appropriate for entity submitting this letter]*

*Date*

Danielle Converse  
FTZ Manager  
Port of Corpus Christi Authority  
400 Harbor Drive  
Corpus Christi, Texas 78401

Dear Ms. Converse:

The purpose of this letter is to document support of the Nueces County Hospital District for Aransas Terminal Company's application to establish and operate under Foreign-Trade Zone designation under the auspices of the Port of Corpus Christi Authority, Grantee of Foreign-Trade Zone #122.

We feel the economic benefits this company brings to our area make it a valuable asset and will have a positive impact upon the local economy, local employment, and economic development in the region.

Nueces County Hospital District is supportive of the proposed FTZ designation and recommends the application's expedited review and approval.

Sincerely,

**Nueces County Hospital District**

\_\_\_\_\_  
Jonny F. Hipp, Chief Executive Officer

Date: \_\_\_\_\_

CC: Nueces County Appraisal District  
Nueces County Tax Assessor- Collector

**EXHIBIT B: Aransas Terminal Foreign Trade Zone Site**



**Site location: 118 State HWY 361, Port Aransas, TX 78373**