

Payment in Lieu of Tax Agreement

This Agreement is entered into by and between the Coppell Independent School District (“ISD”) and Norwex USA, Inc. (“Company”), upon the terms and conditions set forth herein.

RECITALS

WHEREAS, Company is seeking a designation of its facility at Prologis Park 121, Building 3, 220 N. Freeport Pkwy, Ste. 120-B, Coppell, Texas, 75019 as a Dallas Fort Worth International Airport foreign trade zone (“FTZ”); and

WHEREAS, the parties recognize that any of the Company’s FTZ operations may exempt inventory currently on the tax roll, and consequently may cause financial harm to ISD; and

WHEREAS, a letter executed by ISD in support of designation of the site as a FTZ will expedite Company’s efforts to obtain the designation; and

WHEREAS, 19 U.S.C. § 81o(e) provides an exemption from state and local ad valorem taxes for certain imported property and held in a FTZ for the purpose of storage, sale, exhibition, repackaging, assembly, distribution, sorting, grading, cleaning, mixing, display, manufacturing, or processing, and certain 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; and

WHEREAS, Company, its successors and assigns wish to make payments to ISD throughout the period it or its successors or assigns, as the case may be, maintains the FTZ, at the address above, to offset the revenue impact that might otherwise affect ISD as a result of the designation of the site as a FTZ; and

WHEREAS, Company’s intent is to cause no financial harm to ISD as a result of FTZ designation;

NOW, THEREFORE, it is agreed by ISD and Company that:

1. **Letter of Support.** In consideration for the promises, financial contributions, and other consideration stated, including the recitals set forth above, ISD agrees to execute the letter of support in the form shown in Exhibit “A” attached.

2. **Payments in Lieu of Taxes.**

(a) Company agrees that with respect to each year of this Agreement that all or any portion of the site within an activated foreign trade zone on the valuation date for taxation purposes otherwise applicable to personal property inventory held by Company in the ISD, Company will pay ISD:

- (i) With respect to the first year (anticipated to be 2019), \$8045.00.
- (ii) With respect to each year thereafter, based on projected taxable Business Personal Property:

Year	Rendition Projections (Previous year x 15%)	Projected (based on 5 year average) Freeport Exemption	Projected Taxable Value	M&O Tax Rate/\$100 Value	Projected CISD Tax	Suggested "PIL" offer @ 15% after first year	Proposed Debt Service Rate/\$100 Value	Projected CISD Debt Service Tax	TOTAL "PIL"
1	\$7,533,694	\$6,989,008	\$544,686	1.477	\$ 8,045	\$8,045			\$8,045
	*	*	*						
2	\$8,663,749	\$8,037,359	\$626,389	1.17	\$ 7,329	\$1,099	0.35	\$2,192	\$3,292
3	\$9,963,311	\$9,242,964	\$720,347	1.17	\$ 8,428	\$1,264	0.35	\$2,521	\$3,785
4	\$11,457,808	\$10,629,408	\$828,400	1.17	\$ 9,692	\$1,454	0.35	\$2,899	\$4,353
5	\$13,176,479	\$12,223,819	\$952,659	1.17	\$ 11,146	\$1,672	0.35	\$3,334	\$5,006
6	\$15,152,951	\$14,057,392	\$1,095,558	1.17	\$ 12,818	\$1,923	0.35	\$3,834	\$5,757
7	\$17,425,893	\$16,166,001	\$1,259,892	1.17	\$ 14,741	\$2,211	0.35	\$4,410	\$6,621
8	\$20,039,777	\$18,590,901	\$1,448,876	1.17	\$ 16,952	\$2,543	0.35	\$5,071	\$7,614
9	\$23,045,744	\$21,379,536	\$1,666,207	1.17	\$ 19,495	\$2,924	0.35	\$5,832	\$8,756
10	\$26,502,605	\$24,586,467	\$1,916,138	1.17	\$ 22,419	\$3,363	0.35	\$6,706	\$10,069

(b) On or before December 1 of each year, ISD will invoice Company for the Payment in Lieu of Tax due with respect to that year as determined pursuant to paragraph (a). This invoice will be sent to:

Norwex USA, Inc.
800 W. Bethel Road
Suite 100
Coppell, TX 75019-4422

Payment is due from Company to ISD on or before January 31 of the year following the year for which payment is being made. Penalties, interest and statutory attorney's fees (collection costs) for late payments shall be the same as that assessed by ISD against delinquent taxpayers, pursuant to Texas Property Tax Code sections 33.01; 33.07; and 33.48, or their successor provisions. In addition to the amount(s) specified in (a) above, ISD shall be entitled to reimbursement from Company for ISD's reasonable attorneys' fees and costs related to drafting, negotiating, enforcing, or renegotiating the terms of this Agreement.

(c) The term of this Agreement is ten (10) tax years, from 2019 through 2028, unless it is sooner terminated under the provisions provided herein.

3. Change in law or Circumstance.

a) In the event that state legislation, judicial decisions, administrative interpretations by the Office of Texas State Comptroller including the Property Tax Division or the Texas Education Agency or its Commissioner

of Education, or any other controlling interpretation related to school finance, in the sole judgment of the ISD, reasonably exercised, materially and detrimentally impacts the financial consequences to ISD of the Company foreign trade zone, the parties agree to renegotiate this Agreement within sixty (60) days following ISD's written request in accordance with its original intent of protecting ISD from financial loss. ISD shall be entitled to reimbursement from Company for ISD's reasonable attorneys' fees and costs related to enforcing the terms of this Agreement.

b) Should state legislation eliminate business personal property inventory as a source of school district tax revenue, then this Agreement shall become null and void.

c) In the event either party believes that circumstances with regard to the use of the facility has changed so that the amount of the payment specified in Section 2 is no longer a reasonable representation of the amount of revenue loss to ISD as a result of the FTZ, then the parties agree to renegotiate this Agreement within sixty (60) days following either party's written request in accordance with its original intent of protecting ISD from financial loss.

- (1) Company agrees that on or before October 1 of each year during the term of the Agreement, Company will deliver to ISD, in writing, Company's annual rendition of taxable value as provided to the Dallas Central Appraisal District showing the value of applicable FTZ Inventory and the Value of Otherwise Exempt Inventory. In addition, Company shall contemporaneously provide ISD copies of any subsequent correspondence or agreement with the Dallas Central Appraisal District which alter the value rendered for inclusion in the certified tax roll.

4. **Tax Obligation.** Company acknowledges that this Agreement does not affect any other tax obligations of Company to ISD.

5. **Applicable Law.** This Agreement shall be governed by and construed in accordance with the laws of the state of Texas. Venue for any dispute arising from or related to this Agreement shall be Dallas County, Texas.

6. **Severability.** To the extent permitted by law, a holding by any court that any part or and 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.

7. **Non-waiver of Rights.** This Agreement may not be amended except in a writing specifically referring to this Agreement and signed by ISD and Company. Any right created under this Agreement may not be waived, except in a writing specifically referring to this Agreement and signed by the party waiving the right.

8. **Termination.** This Agreement shall remain in effect so long as the site is designated as a foreign trade zone. Company shall retain the option to cancel the Foreign Trade Zone designation at any time. If for any reason Company fails to comply with the terms and conditions of this Agreement and does not remedy 30 days after receipt of written notice, ISD reserves the right to withdraw its support/concurrence and request that Company be

deactivated from operating in any FTZ business operations at its facility located at Prologis Park 121, Building 3, 220 N. Freeport Pkwy, Ste. 120-B, Coppell, Texas, 75019.

9. **Attorney's Fees and Costs.** Subject to and without waiving ISD's governmental immunity, if either party fails or refuses to provide the information necessary and within the custody, control or possession of the party to determine the correctness of the calculation of the payment due under this contract, then the other party shall be entitled to reimbursement of any expenses, including reasonable attorney's fees and expert witness fees, necessary to obtain such information.

10. **Entire Agreement.** This Agreement constitutes the entire understanding between the parties and supersedes any prior negotiations, discussions, agreements, and understandings between the parties with respect to the subject of this Agreement.

11. **Liquidated Damages.** If for any reason Company should fail to make an annual payment in lieu of taxes in accordance with Section 2 above, the Parties agree that the amount of taxes that would have been imposed upon any transaction value of net exempted inventory plus the amount of penalties and interest calculated in accordance with sub-paragraph 2(a) shall serve as liquidated damages to ISD. Further, Company shall be liable for the reasonable attorney's fees and costs of collection should any action be required in order to compel payment of the liquidated damages from Company to ISD.

12. **Miscellaneous.**

(a) This Agreement shall extend to and be binding upon and inure to the benefit of the parties hereto, and their respective legal representatives, successors and assigns. (a) Provided however, the Company may not assign, transfer or otherwise convey any of its rights or obligations under this Agreement to any other person or entity without the prior written consent of ISD, which consent shall not be unreasonably withheld, conditioned on (i) the prior approval of the assignee or successor and a finding by ISD that the proposed assignee or successor is financially capable of meeting the terms and conditions of this Agreement and (ii) prior execution by the proposed assignee or successor of a written agreement with ISD under which the proposed assignee or successor agrees to assume and be bound by all covenants and obligations of the Company under this Agreement. Any attempted assignment without ISD's prior written consent shall constitute grounds for termination of this Agreement and following ten (10) calendar days of receipt of written notice from ISD to the Company.

(b) All notices, claims, or demands required or permitted to be given hereunder shall be hand delivered, or sent by nationally recognizes courier, or sent by certified mail, return receipt requested, to the address of each party listed on the signature page.

(c) In the event any action or proceeding is commenced by any party to (a) determine rights, duties or obligations hereunder, (b) determine a breach hereof and obtain damages, or (c) otherwise enforce this Agreement, the prevailing party in such action or proceeding shall be entitled to recover from the other

party or parties all costs and expenses, including reasonable attorney's fees and costs, to the extent permitted by law.

(d) The above recitals are true and correct and are hereby incorporated into this Agreement.

EXECUTED this ____ day of _____, 2018

Coppell Independent School District
200 S. Denton Tap Road
Coppell, Texas 75019

By: _____

Name: _____

Title: _____

Norwex USA, Inc.
800 W. Bethel Rd.
Ste 100
Coppell, TX 75019

By: 
Name: Kelley Milner
Title: CFO