



Payment In Lieu of Tax Agreement

This Agreement is entered into by and between the Coppel Independent School District ("ISD") and DMG Mori Seiki U.S.A., Inc., also known as "MSUSA" ("Company"), a wholly owned subsidiary of the publicly traded Japanese corporation, DMG Mori Seiki Co. Ltd., upon the terms and conditions set forth herein.

RECITALS

WHEREAS, Company is seeking a designation of its facility at 9001 Currency Street Irving, Texas, 75063 as a Dallas Fort Worth International Airport foreign trade zone ("FTZ"); and

WHEREAS, the parties recognize that any 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, 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 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 is 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 an amount equal to:
 - (i) the Market Value of Net Exempted Inventory, divided by \$100, times
 - (ii) the then current year tax rate adopted by ISD,
 - (iii) minus the amount of additional state aid, if any, received by ISD solely attributable to the exemption of the Market Value of Net Exempted Inventory

under FTZ status in the site, as calculated by ISD using the then current state of Texas funding formulas effective for the school year for which the calculation is applicable. ISD shall calculate the applicable amount of state aid and provide such calculation to Company by December 1 immediately preceding the February 1 payment deadline. Upon request from Company, ISD shall promptly provide Company with the information used to perform this calculation, including any templates or formulas utilized;

- (iv) minus the amount of additional recapture, if any, which would have been required to be paid by ISD if the FTZ was not in existence and tax was collected on the Market Value of Net Exempted Inventory, as calculated by ISD under the current state of Texas funding formulas effective for the school year for which the calculation is applicable. ISD shall calculate the applicable amount of recapture payments avoided and provide such calculation to Company by December 1 immediately preceding the February 1 payment deadline. Upon request from Company, ISD shall promptly provide Company with the information used to perform this calculation, including any templates or formulas utilized.

(b) The following definitions shall be used to determine the Company contribution:

- (i) Market Value of Net Exempted Inventory means the Value of FTZ Inventory, less the Value of Otherwise Exempt Inventory, determined from the data reported by Company on its annual Dallas County property tax rendition as accepted by the Dallas Central Appraisal District, and from additional data provided to ISD pursuant to paragraph (c) below.
- (ii) Value of FTZ Inventory means the value of inventory exempt from local taxation by the Foreign-Trade Zones Act pursuant to 19 U.S. C. §810(e), as incorporated into the annual certified tax roll of the Dallas Central Appraisal District.
- (iii) Value of Otherwise Exempt Inventory means the portion of the Value of FTZ Inventory which, but for the existence of the foreign trade zone, would be exempt for local taxation pursuant to any other provision of law. For example, the value of inventory which would qualify for the Freeport Exemption pursuant to Texas Tax Code Section 11-251 if not already exempted by the Foreign-Trade Zones Act would be included in the Value of Otherwise Exempt Inventory.

(c) Beginning in 2015, the Company agrees that on or before October 1 of each year of the Agreement, it will provide to ISD Company's annual rendition of taxable value to the Dallas Central Appraisal District showing the value of FTZ Inventory and the Value of Otherwise Exempt Inventory, and provide copies of any subsequent correspondence or agreement with the Dallas Central Appraisal District which altered the value rendered for inclusion in the certified tax roll. If Company in any particular year does not include the Value of Otherwise Exempt Inventory in its annual rendition of value (through protective claim for exemption, statement, or otherwise), then Company will supplement the rendition information with Company's calculation of and explanation for the Value of Otherwise Exempt Inventory. In the event Company provides information about the Value of Otherwise Exempt Inventory outside the rendition process, ISD may, at its sole

discretion, utilize all or any portion of the stated Value of Otherwise Exempt Inventory which it believes reasonable in its calculation of Market Value of Net Exempt Inventory. Company agrees to furnish any and all documents to and permit such inspections and audits of records as ISD may request to permit ISD to calculate such Market Value of Net Exempted Inventory. Should Company choose to lease space to others within the Foreign Trade Zone, then Company shall require by contract that its tenants provide, render and report all information necessary for the Dallas Central Appraisal District, or ISD to calculate the amount and value of property subject to the foreign trade zone exemption.

- (d) 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). Payment is due from Company to ISD on or before February 1 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 the event there is a disagreement between the parties as to the appropriate payment amount, Company shall timely pay ISD the amount ISD calculates. In the event ISD later determines a lesser amount is due, ISD will return any excess payment to Company.
 - (e) In addition to the amount specified in (a) above, Company shall reimburse ISD for professional services to prepare an independent calculation of the Payment In Lieu Of Taxes pursuant to the Agreement, or for professional legal services related to any issues arising from or related to this Agreement, not to exceed \$7,500 per year. Company shall also reimburse ISD for professional services related to review, preparation of documents, negotiations and consideration and approval of this Agreement, not to exceed \$7,500.
3. Change in Law. 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 in accordance with its original intent of protecting ISD from financial loss. In addition to the amount specified in paragraph (a) above, Company agrees to fully reimburse and make the ISD whole for any financial loss by the ISD related to the foreign trade zone designation, including any financial loss related to a change in school finance law or its interpretation. ISD shall be entitled to reimbursement from Company for ISD's reasonable attorneys' fees and costs related to enforcing the terms of this Agreement. Should state legislation eliminate business personal property inventory as a source of school district tax revenue, then this Agreement shall become null and void.
 4. 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.

5. Tax Obligation. Company acknowledges that this Agreement does not affect any other tax obligations of Company to ISD.
6. 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.
7. 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.
8. 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.
9. 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.
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 paragraph 2 above, the Parties agree that the amount of taxes that would have been imposed upon any Market Value of Net Exempted Inventory plus the amount of penalties and interest calculated in accordance with sub-paragraph 2(d) 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.
 - (b) All notices, claims, or demands required or permitted to be given hereunder shall be hand delivered 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.

EXECUTED this 27th day of October, 2014.

Coppell Independent School District

200 S. Denton Tap Road
Coppell, Texas 75019

By: _____

Name: Anthony Hill

Title: Board of Trustees, President

By: _____

Name: Thom Hulme

Title: Board of Trustees, Secretary

DMG Mori Seiki USA, INC.

2400 Huntington Blvd.
Hoffman Estates, Illinois 60192

By: _____

Name: _____

Title: _____

EXHIBIT A

**To be reprinted on Coppell Independent School District letterhead
AND**

***Returned to
Ms Christina Wood
Dallas Fort Worth International Airport
cwood@dfwairport.com***

[Date]

Mr. Andrew McGilvray
Executive Secretary
Foreign Trade Zones Board
US Department of Commerce
1401 Constitution Avenue, NW, Room 2111
Washington, DC 20230

Re: Foreign Trade Zone Application

Dear Mr. McGilvray:

We understand that the DMG Mori Seiki wishes to obtain a Foreign Trade Zone designation for its facility located at 9001 Currency Street Irving, Texas, 75063, within the Coppell Independent School District. We understand that imported inventory and inventory held for export at the facility will be exempt from ad valorem tax if the Foreign Trade Zone designation is approved. We do not object to Foreign Trade Zone designation at the company's Irving facility.

Sincerely,