

STATE OF TEXAS

§

COUNTY OF WILLIAMSON

§

§

FREEPORT EXEMPTION AGREEMENT

This Freeport Exemption Agreement ("Agreement") is entered into by and between Williamson County, Texas ("County"), acting herein by and through its duly authorized officers, and Durcon Inc. ("Company") which is in good standing to do business in the State of Texas, acting herein by and through their respective, duly authorized officers.

WITNESSETH:

WHEREAS, the Texas Legislature adopted, and the voters of Texas approved, Article VIII, Section 1-j, to the Texas Constitution which provided for the exemption of certain tangible personal property from ad valorem taxation;

WHEREAS, in order to implement the Constitutional provision, the Texas Legislature adopted Texas Tax Code Section 11.251, which provides for the exemption of certain taxable property from ad valorem taxation ("Freeport Goods");

WHEREAS, the County made the timely election to deny tax-exempt status for Freeport Goods pursuant to Article VIII, Section 1-j(b)(2);

WHEREAS, Article VIII, Section 1-j(b)(4) provides that it is within the exclusive discretion of the County to rescind its prior action to tax Freeport Goods;

WHEREAS, other taxing entities in Williamson County have acted to exempt Freeport Property from taxation to promote industrial development and increased property tax revenue;

WHEREAS, the Company produces and sells products which qualify as Freeport Goods under Tax Code § 11.251;

WHEREAS, the Company has made investments in taxable personal property located and operating within the County, and has requested the County to allow the exemption for Freeport Goods beginning in tax year 2010;

WHEREAS, the County projects it will suffer tax revenue losses in the 2010-11 and thereafter if it no longer taxes Freeport Goods;

WHEREAS, to offset the tax revenue losses anticipated by the County, the County will require direct financial payments from the Company if it enters into this Freeport Exemption Agreement with the County; and

WHEREAS, it will be necessary to negotiate and execute an agreement with the Company sufficient to assure that, in the aggregate, the amount of funds payable by the Company entering into said Freeport Exemption Agreement shall be in an amount sufficient to partially reduce or offset the amount of projected tax revenue loss to the County;

NOW, THEREFORE, the County and the Company, for and in consideration of the mutual covenants and agreements herein contained, do hereby contract, covenant, and agree as follows:

1. The County shall take formal action to rescind its resolution upon execution of this Agreement by the Company and similar agreements with other major taxpayers with eligible Freeport inventory located in the County, thereby exempting Freeport Goods from taxation by the County, effective January 1, 2010;
2. The annual payments required to offset the actual tax revenue loss to the County for the 2010-11 through the 2014-15 shall be determined by the payment calculation formula marked "Exhibit A", attached hereto and incorporated herein for all purposes. The Company shall pay the County the amounts due each year, as estimated in schedule attached as "Exhibit A" on or before December 31 of each year.
3. The Company shall deliver rendition statements and property reports to the Williamson County Appraisal District no later than April 15 of each tax year, pursuant to Section 22.23(a) of the Tax Code. It shall be the responsibility of the Company, pursuant to Section 11.43(d) of the Tax Code, on or before April 30 of each tax year, to file an annual exemption application form with the chief appraiser for each appraisal County in which the Freeport Goods, which are the subject of this Agreement, have situs. In the event the Company fails to timely deliver its rendition statements and property reports in any tax year, or fails to timely file its application for tax exemption in any tax year, then any payment made by the Company to the County will be retained by the County, and the Company may also be liable for taxes on Freeport Goods.
4. This Agreement is executed by the parties hereto without coercion or duress and of substantial consideration, the sufficiency of which is forever confessed.
5. Any notice required by this Agreement shall be deemed to be properly served if deposited in the U.S. mail by certified letter, return receipt requested, addressed to recipient at the recipient's address, shown below, subject to the right of either party to designate a different address by notice given in the manner just described.
6. The obligations of the parties to this Agreement are performable in Williamson County, Texas. If legal action is necessary to enforce same, exclusive venue shall lie in Williamson County, Texas.
7. This Agreement is made subject to all applicable State and Federal laws and shall be governed and construed in accordance with the laws and court decisions of the State of Texas.
8. The parties executing this Agreement represent to each other and to others that all appropriate and necessary action has been taken to authorize the individual who is executing

this Agreement to do so for and on behalf of the party for which his or her signature appears, that there are no other parties or entities required to execute this Agreement in order for same to be an authorized and binding Agreement on the party for whom the individual is signing this Agreement and that each individual affixing his or her name hereto is authorized to do so, and such authorization is valid and effective on the date hereof.

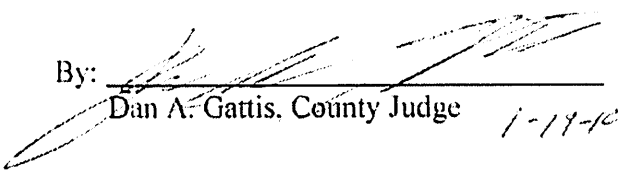
9. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and constitute one and the same instrument.

10. This Agreement embodies the complete agreement of the parties hereto, superseding all oral or written previous and contemporaneous agreements between the parties and relating to matters in this Agreement, and except as otherwise provided herein, cannot be modified without the written consent of the parties. such consent to be attached to and made a part of this Agreement.

This Agreement shall be effective on the latest date as reflected by the signatures below.

EXECUTED this 19th day of Jan, 2010 by Williamson County.

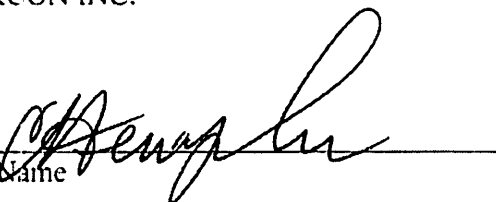
WILLIAMSON COUNTY

By: 

Dan A. Gattis, County Judge

1-19-10

DURCON INC.

By: 

Name

Charles Heinezelman CEO
Printed Name and Title

EXHIBIT A

Company Payment Schedule and Calculation

Definitions

Annual County Freeport Revenue Loss means the total annual revenue loss to the County due to the County granting the Freeport exemption as it specifically relates to the Company for tax years 2010 through 2014.

County Tax Rate means the ad valorem tax rate of Williamson County, as adopted annually by the County.

County Tax Reimbursement Payment means the annual payment made by Durcon Inc. to the County to ensure that the County receives sufficient revenue to partially offset projected negative tax impacts of the exemption of Freeport Goods.

Freeport Inventory means the annual taxable value of Freeport Goods of Durcon Inc. as determined by the Chief Appraiser of the Williamson Central Appraisal District or the Chief Appraiser of the Travis Central Appraisal District, whichever is appropriate.

Rendition Statement means the annual statement and property report to the Williamson County Appraisal District for Freeport Inventory pursuant to Section 22.23(a) of the Texas Tax Code.

Reimbursement Overview

The Company will make direct payments for four years to the County to partially reimburse the County for projected tax losses due to the exemption of Freeport Goods by the County.

December 31 

On or before ~~June 1~~ of tax years 2010 through 2014, the Company shall pay to the County a certain percentage of the Annual County Freeport Revenue Loss. The Annual County Freeport Revenue Loss shall be determined by applying each year's County Tax Rate to the Company's Freeport Inventory for that year. The annual payment percentage shall be as follows:

2010	80% of Annual County Freeport Revenue Loss
2011	60% of Annual County Freeport Revenue Loss
2012	40% of Annual County Freeport Revenue Loss
2013	20% of Annual County Freeport Revenue Loss

By way of illustration only:

The hypothetical four-year payments shall be as follows:

<u>Tax Year</u>	<u>Annual County Freeport Revenue Loss</u>	<u>Company Reimbursement</u>
2010	\$27,707.00	\$22,166.00 (80% of County Revenue Loss)
2011	\$27,707.00	\$16,624.00 (60% of County Revenue Loss)
2012	\$27,707.00	\$11,083.00 (40% of County Revenue Loss)
2013	\$27,707.00	\$ 5,541.00 (20% of County Revenue Loss)

This Agreement will terminate prior to 2014 if at the end of any tax year a new company or companies that would be subject to the Freeport Tax locate in Williamson County, and the total new ad valorem tax generation to the County from said business or businesses is more than \$91,000,000 in any year.

Additionally, the substantial expansion of an existing business would also serve as a means of new ad valorem tax generation. Such substantial expansion would include the addition of facilities (i.e., buildings), fixed assets, and/or inventory. For companies who substantially expand their existing business, an additional percentage reduction equal to the percentage of said company's expansion would be granted from their already reduced Freeport Tax. As an example only, if XYZ Company substantially expanded its operations by 26% in Year 2011, it would pay only 34% of its Freeport Tax obligation as opposed to 60% as set forth herein. Subsequent years would continue to decrease by 20% as set forth herein until said company's tax obligation is fulfilled.