

## **PAYMENT-IN-LIEU-OF-TAX AGREEMENT**

### **FOREIGN TRADE ZONE**

This Agreement is entered into by and between **Fort Bend County, Texas**, ("COUNTY"), and **SAExploration, Inc.**, ("SAE") upon terms and conditions set forth herein.

#### **RECITALS**

WHEREAS, SAE is seeking to bring merchandise into a Foreign Trade Zone Site located within the geographical boundaries of 13645 N. Promenade Boulevard, Stafford, Fort Bend County, Texas, which site is within FTZ # 149, a foreign trade zone established, operated, and maintained by the Port Freeport, and which site is described in Exhibit A, attached hereto and incorporated for all purposes, (hereinafter, "the Property");

WHEREAS, the non-opposition of COUNTY to SAE's application to the Port Freeport for the admission and handling of merchandise in the zone is critical for SAE to obtain the Activation;

WHEREAS, SAE's intent is not to cause material financial harm to COUNTY as a result of its Activation in the Foreign Trade Zone Site;

WHEREAS, SAE wishes to make a tax-equivalent payment in support of COUNTY's mission, goals, and objectives;

WHEREAS, for the purposes of this Agreement, "Exempted Personal Property" shall mean the personal property exempted by 19 U.S.C. 81o(e) or its successor statute as a result of Foreign-Trade Zone status being granted to the Property;

WHEREAS, County finds that this Agreement serves the public purpose of promoting economic growth.

NOW, THEREFORE, it is agreed by COUNTY and SAE that:

## A. DEFINITIONS

When used herein, the words below have the following definitions:

1. FTZ Board – Foreign-Trade Zones Board of the U.S. Department of Commerce.
2. COUNTY – Fort Bend County, Texas, Government
3. SAE – SAExploration, Inc.
4. Customs – Bureau of Customs and Border Protection of the U.S. Department of Homeland Security.
5. FTZ Exemption – 19 U.S.C. Section 81o(e) federal taxation exemption for certain FTZ Inventory and other potential exemptions from taxation for personal property located in a Foreign Trade Zone.
6. FTZ Inventory – Any tangible personal property held in the FTZ Site that may qualify for the FTZ Exemption per 19 U.S.C. Section 81o(e) and that would otherwise be taxable by COUNTY.
7. FTZ Site – The tract described in Exhibit A with the current physical address of 13645 N. Promenade Boulevard, Stafford, Texas 77477.
8. FBCAD – Fort Bend Central Appraisal District or its successors
9. Interest – interest payable on delinquent tax or other amounts owed to COUNTY.
10. Letter – The executed Letter of Non-Opposition from COUNTY.
11. PILOT – Payment in Lieu of Taxes means an amount paid by SAE intended to fairly compensate COUNTY for the loss of ad valorem taxes.
12. Tax Rate – refers to the actual tax rate adopted by the Fort Bend County Commissioners Court for the each year that the PILOT is calculated and is inclusive of the general fund rate, the road & bridge fund rate and the interest & sinking fund rate.

## B. OBLIGATIONS

1. Exempted Personal Property. Both Parties agree and understand that the FTZ Inventory at the FTZ Site may or may not belong to SAE or its successors, but may belong to third parties who locate their facilities or personal property within the FTZ Site.
2. Letter of Non-Opposition. In consideration for the promises, financial contributions, and other consideration stated herein, County agrees to execute the Letter in the form shown in Exhibit B attached hereto and incorporated herein for all purposes.
3. Payment to County.
  - a. SAE agrees that with respect to each year that all or any portion of the FTZ inventory, whether owned or leased by itself or owned or leased by an affiliated or unaffiliated third party, held within the activated FTZ Site on the valuation date for taxation purposes otherwise applicable to tangible personal property, SAE will make payment to County in an amount equal to the product of the following equation, allowing for standard exemptions otherwise taken other than the FTZ Exemption:
    - i. the appraised value of the FTZ Inventory, times 0.50, times,
    - ii. the current year tax rate adopted by County, or any other taxing entity on behalf of FBC for the applicable PILOT year.
  - b. The average appraised value of SAE FTZ inventory, whether owned or leased, will be the value computed annually by the FBCAD as part of the annual certified appraisal roll. The parties understand and agree that each year's appraised value will be calculated in accordance with Texas State Law imposed upon the FBCAD (currently Texas Tax Code Chapter 23) and only after SAE exhausts its appeal rights by law.
  - c. Should SAE choose to sub-lease space to others within the FTZ Site, then SAE shall require its sub-tenants to provide all information necessary for the FBCAD or its successor, to calculate the average appraised value of the sub-tenant business personal property, whether owned or leased by sub-tenant.

- d. The first PILOT Payment, provided the FTZ Site is designated and activated by January 1, 2019, is due from SAE to County on or before February 1, 2020. Annual PILOT payments will be due on or before February 1st following the year for which payment is being made. If SAE fails to pay the PILOT Amount to the County within such time, the County shall have the right to exercise any and all legal remedies available to it to obtain such payment. SAE agrees to pay the statutory amounts for penalties, interest, attorney's fees, and costs of collection applicable to suits to recover delinquent ad valorem taxes under Texas Tax Code Chapter 33 for failure to remit timely PILOT payments to County as a contract obligation even though the FTZ inventory would be exempt from local ad valorem taxation.
  - e. All payments shall be made payable to Fort Bend County and shall be sent to the Fort Bend County Treasurer, P.O. Box 1202, Richmond, Texas 77406-1202.
4. Greater Fort Bend Economic Development Council SAE agrees to become a member of the Greater Fort Bend Economic Development Council, or its successor organization, at the standard membership level for the duration of the active FTZ Site.
5. **Tax Obligation. SAE ACKNOWLEDGES AND AGREES THAT THIS PAYMENT-IN-LIEU-OF-TAX AGREEMENT DOES NOT AFFECT, EXEMPT OR WAIVE ANY TAX OBLIGATIONS OF SAE TO COUNTY, INCLUDING THOSE BASED ON REAL PROPERTY OR PERSONAL PROPERTY THAT WOULD NOT QUALIFY FOR THE FTZ EXEMPTION.**
6. 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.
7. Non-Waiver of Rights. This Agreement may not be amended except in a writing specifically referring to this Agreement and signed by COUNTY and SAE. 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. Provided, however, termination of this Agreement shall not relieve SAE, or its successors, from any payments due County prior to such termination.

8. Termination by Change in FTZ Site Activation. This Agreement shall remain in effect so long as the FTZ Site is designated and activated as a Foreign Trade Zone Site by the FTZ Board and Customs.
9. Liquidated Damages. If for any reason SAE should fail to make the tax-equivalent payment in accordance with paragraph 3 the parties agree that (i) the amount of taxes that would have been imposed upon any SAE FTZ inventory plus (ii) the amount of Interest calculated in accordance with sub-paragraph 3(e); plus (iii) County's reasonable attorney's fees and costs of collection should any action be required in order to compel payment of all such amounts shall serve as liquidated damages from SAE to COUNTY.
10. Request for Deactivation for Breach. If for any reason SAE fails to comply with this Agreement, including its failure to make the tax-equivalent payment in accordance with paragraph 3 above or failure to pay liquidated damages to COUNTY in accordance with paragraph 8 above, COUNTY shall notify Port Freeport of COUNTY's withdrawal of its concurrence for SAE's activation, and shall request that SAE be deactivated from operating in the FTZ Site.
11. FTZ Site Modification and Transfer of Ownership. As long as this Agreement is in effect, SAE shall not modify its FTZ Site boundaries as described in Exhibit A, or transfer ownership of the FTZ Site or its operations, unless County enters into a new or amended agreement allowing the boundary modification and/or with such party allowing such transfer of ownership.
12. Notices. Any notice provided or permitted to be given pursuant to this Agreement must be in writing and may be served by depositing same in the United States mail, addressed to the party to be notified, postage prepaid, certified mail, with return receipt requested, by

fax (with confirmation of receipt), by personal delivery service or nationally recognized air courier service. For purposes of notice, the addresses of the parties shall be as set forth below:

SAEXPLORATION, INC.:

Michael Donahue  
Tax Director  
1160 Dairy Ashford Road, Ste 160  
Houston, Texas 77079

With Copy to:

RYAN, LLC:

Ray Shaw, Principal  
2800 Post Oak Blvd, Ste. 4200  
Houston, Texas 77056

FORT BEND COUNTY:

ATTN: COUNTY JUDGE  
401 JACKSON STREET  
RICHMOND, TEXAS 77469

13. Governing Law and Venue. This agreement shall be governed by the laws of the State of Texas. Venue for any action concerning this Agreement shall be in the District Courts of Fort Bend County, Texas.
14. Assignment. SAE 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 consent of COUNTY, which consent shall not be unreasonably withheld, conditioned on (i) the prior approval of the assignee or successor and a finding by COUNTY 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 COUNTY under which the proposed assignee or successor agrees to assume and be bound by all covenants and obligations of SAE under this Agreement. Any attempted assignment without COUNTY's prior consent shall constitute grounds for termination of this Agreement and following ten (10) calendar days of receipt of written notice from COUNTY to SAE.

15. 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 matter of this Agreement.

[SIGNATURES ON NEXT PAGE]

EFFECTIVE DATE: The date last executed below.

AGREED:

**"COUNTY"**  
**FORT BEND COUNTY, TEXAS**

By: \_\_\_\_\_  
Robert E. Hebert, County Judge

ATTEST:

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

\_\_\_\_\_  
Laura Richard, County Clerk

**"SAE"**  
**SAEXPLORATION, INC.**

By: \_\_\_\_\_  
Printed: Name: Ryan Abney  
Title: VP Finance

ATTEST:

Date: 12/13/18

Michael Donahue  
Printed Name: MICHAEL DONAHUE

Exhibit A: FTZ Site Legal Description

Exhibit B: Letter of Non-Opposition



Exhibit A

## LEGAL DESCRIPTION OF LAND

## METES AND BOUNDS DESCRIPTION

## 5.6982 ACRE TRACT

## LOCATED IN THE

THE WILLIAM STAFFORD 1-1/2 LEAGUE GRANT, A-89  
FORT BEND COUNTY, TEXAS

Being a tract or parcel of land containing 5.6982 acre of land or 248,215 square feet, located in the William Stafford 1-1/2 League Grant, Abstract 89, Fort Bend County, Texas, Said 5.6982 acre tract being all of Reserves Q2 and Q3 of Freeport Southwest Section Ten, Replat of Reserve "Q", a subdivision duly of record in File Number 2006026494 of the Official Public Records of Fort Bend County, Texas; Said 5.6982 acre tract being more particularly described as follows (bearings based on the Texas State Plane Coordinate System South Central Zone):

COMMENCING at a 5/8 inch iron rod found at the southwest end of Right-of-Way (R.O.W.) transition from the south R.O.W. line of Cash Road (100 feet wide) to the east R.O.W. line of North Promenade Boulevard (100 feet wide), being the lower northwest corner of Reserve Q1 of aforesaid subdivision;

THENCE, coincident the east R.O.W. line of aforesaid North Promenade Boulevard, South 02 Degrees 32 Minutes 58 Seconds East, a distance of 262.09 feet to a 5/8 inch iron rod with cap set for the northwest corner and POINT OF BEGINNING of the herein described tract, said corner being the northwest corner of aforesaid Reserve Q2 and the southwest corner of aforesaid Reserve Q1;

THENCE, coincident the north line of aforesaid Reserve Q2, North 87 Degrees 24 Minutes 46 Seconds East, a distance of 427.66 feet to a 5/8 inch iron rod with cap found for the northeast corner of both the herein described tract and said Reserve Q2;

THENCE, coincident the east line of aforesaid Reserves Q2 and Q3, respectively, South 02 Degrees 36 Minutes 30 Seconds East, at a distance of 309.83 feet pass a 5/8 inch iron rod with cap found for the southeast corner of said Reserve Q2 and the northeast corner of said Reserve Q1, and continue for an overall distance of 580.00 feet to a 5/8 inch iron rod with cap found for the southeast corner of both said Reserve Q3 and the herein described tract, being the northeast corner of Reserve Q4 of aforesaid subdivision;

THENCE, coincident the south line of aforesaid Reserve Q3 and the north line of aforesaid Reserve Q4, South 87 Degrees 24 Minutes 46 Seconds West, a distance of 428.26 feet to a 5/8 inch iron rod with cap set for the southwest corner of both said Reserve Q3 and the herein described tract, being the northwest corner of aforesaid Reserve Q4;

CDC Form# 012107

THE N.C. line of aforesaid North Promenade Boulevard and the west line of Reserve Q3 and Q2, respectively, North 02 Degrees 32 Minutes 58 Seconds West, at a distance of 270.17 feet pass the northwest corner of said Reserve Q3 and the southwest corner of aforesaid Reserve Q2, and continue for an overall distance of 580.00 feet to the POINT OF BEGINNING and containing 5.6982 acres of land.

Reno & Associates  
May 14, 2007  
Job 36-0705